

# **Design and Implementation of the First Funding Round of the Bridges Renewal Programme**

Department of Infrastructure and Regional Development

© Commonwealth of Australia 2016

ISSN 1036–7632 (Print)

ISSN 2203–0352 (Online)

ISBN 978-1-76033-109-2 (Print)

ISBN 978-1-76033-110-8 (Online)

Except for the content in this document supplied by third parties, the Australian National Audit Office logo, the Commonwealth Coat of Arms, and any material protected by a trade mark, this document is licensed by the Australian National Audit Office for use under the terms of a Creative Commons Attribution-NonCommercial-NoDerivatives 3.0 Australia licence. To view a copy of this licence, visit

<http://creativecommons.org/licenses/by-nc-nd/3.0/au/>.

You are free to copy and communicate the document in its current form for non-commercial purposes, as long as you attribute the document to the Australian National Audit Office and abide by the other licence terms. You may not alter or adapt the work in any way.

Permission to use material for which the copyright is owned by a third party must be sought from the relevant copyright owner. As far as practicable, such material will be clearly labelled.

For terms of use of the Commonwealth Coat of Arms, visit the *It's an Honour* website at <http://www.itsanhonour.gov.au/>.

Requests and inquiries concerning reproduction and rights should be addressed to:

Executive Director

Corporate Management Branch

Australian National Audit Office

19 National Circuit

BARTON ACT 2600

Or via email:

[publications@anao.gov.au](mailto:publications@anao.gov.au).



Canberra ACT  
20 January 2016

Dear Mr President  
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Infrastructure and Regional Development titled *Design and Implementation of the First Funding Round of the Bridges Renewal Programme*. The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website—<http://www.anao.gov.au>.

Yours sincerely



Grant Hehir  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

## **AUDITING FOR AUSTRALIA**

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

For further information contact:  
**Australian National Audit Office**  
**GPO Box 707**  
**Canberra ACT 2601**

**Phone: (02) 6203 7300**  
**Fax: (02) 6203 7777**  
**Email: [ag1@anao.gov.au](mailto:ag1@anao.gov.au)**

ANAO audit reports and information about the ANAO are available on our website:  
<http://www.anao.gov.au>

### **Audit Team**

Tracey Bremner  
Erica Sekendy  
Amanda Ronald  
Brian Boyd



# Contents

---

Summary and recommendations.....	7
Conclusion.....	7
Supporting findings.....	8
Recommendations.....	10
Summary of entity response.....	10
<b>Audit Findings.....</b>	<b>11</b>
1. Background .....	13
Programme origins .....	13
Programme establishment .....	13
Applicable legislation .....	13
Funding rounds.....	14
Audit approach .....	15
2. Application and assessment process .....	16
Was the application process open and competitive? .....	16
Were the eligibility requirements expressed clearly and applied fairly? .....	18
Did the scoring method provide a clear and consistent basis for ranking competing proposals? .....	21
Were the scores awarded a reliable indicator of merit in the context of the programme's objectives? .....	23
How well did the assessment approach reflect the principle of proportionality? .....	31
3. Advice and funding decisions .....	32
Was the Minister adequately advised by his department? .....	32
Were the funding decisions transparent and consistent with a merit-based process? .....	35
4. Funding arrangements .....	39
Were the funding arrangements appropriate for effective project management? .....	39
Did the payment strategy appropriately safeguard Commonwealth funds? .....	44
Did the funding arrangements support a programme evaluation framework? .....	48
5. Achieving objectives .....	50
What is the nature of the performance framework in place for the programme? .....	50
Will the programme result in a total investment of at least \$600 million? .....	51
Was the available funding targeted to those proponents most in need of financial assistance? .....	55
Was the available funding targeted to those projects most likely to deliver the desired outputs and achieve the programme objectives? .....	58
Was round one designed and implemented in a timely manner, consistent with the focus on construction commencing in 2014–15? .....	62
<b>Appendices .....</b>	<b>67</b>
Appendix 1     Entity response .....	69



## Summary and recommendations

---

1. Following the 2013 change of government, the Bridges Renewal Programme was established to deliver on a Coalition election commitment. Specifically, to allocate \$300 million, matched dollar for dollar, to renew and upgrade deteriorating local bridges that are often beyond the financial resources of Councils. The funding was to be allocated on a transparent, competitive basis, giving priority to community needs and economic return.
2. The programme is administered by the Department of Infrastructure and Regional Development (DIRD). The programme design work was undertaken between December 2013 and June 2014. The first funding round was to focus on those projects ready to commence construction in 2014–15. It opened on 1 July 2014 and attracted 267 proposals from State government and Councils.<sup>1</sup> In February 2015, the Minister selected 73 proposals for funding totalling \$114.8 million.
3. The objective of the audit was to assess the effectiveness of DIRD's design and implementation of the first funding round of the Bridges Renewal Programme.

## Conclusion

4. DIRD continues to make improvements to its internal processes for the conduct of competitive funding rounds. But the design and implementation of the Bridges Renewal Programme took too long (14 months). This contributed to less than 20 per cent of approved projects commencing construction in 2014–15, despite the round's intended focus on construction-ready projects.
5. There was mixed performance in terms of achieving the programme objectives. On a positive note, the results of the first round mean the programme is on track to deliver the desired investment of at least \$600 million.
6. Critically, although the programme had both productivity and community access objectives, projects seeking to improve community access were disadvantaged in the application and assessment approach and so they were less successful in obtaining funding. In addition, notwithstanding the policy rationale for the introduction of a bridges renewal programme, the assessment approach did not include consideration of the applicant's relative need for financial assistance, the condition of the existing bridge or urgency of its repair.<sup>2</sup> While the department had recognised the productivity benefits of bridge works, it otherwise lost sight

---

1 For ease of reference, State and Territory governments are referred to as 'States' and Local governments as 'Councils' in this audit report.

2 In this respect, paragraphs 2.41 to 2.45 and Figure 2.3 provide some analysis, including photographic examples, of old unsafe bridges from Council proposals that were awarded the lowest score possible against the outcomes-focused criteria and, as a result, were not considered by DIRD as candidates to be recommended for funding. In contrast, proposals to construct new bridges were more successful than those seeking to renew or replace an existing bridge.

of the Australian Government's intentions for a programme that would address the backlog of deteriorating local bridges that were beyond the financial resources of Councils to renew.<sup>3</sup>

## Supporting findings

### Application and assessment process (Chapter 2)

7. A competitive application-based process was used, which promoted transparent and equitable access to the funding opportunity. The number of proposals received represented a healthy level of competition for the available funding. The large majority (96 per cent) of the 267 proposals received were assessed as eligible. Although, greater attention still needs to be paid by DIRD to documenting the basis for assessing a proposal as eligible when the available evidence indicates that it does not meet a requirement.

8. The method used to score the 255 eligible proposals against the merit criteria, and to rank them in order of value for money, was consistently and transparently applied. But the scores awarded were not sufficiently reliable as indicators of project merit in the context of the programme's objectives. Of particular note was that the round one arrangements did not include a mechanism for scoring proposals according to the relative need for financial assistance or condition of the existing bridge.

9. Further, in order to achieve the desired objectives of funding programmes, DIRD must:

- better align eligibility requirements with programme objectives;
- ensure that the design and application of the merit criteria encompass all key objectives and the underlying policy rationale for the programme; and
- recognise that smaller value projects should be expected to deliver fewer benefits than higher value projects, and should not be disadvantaged in the selection process for this circumstance.

### Advice and funding decisions (Chapter 3)

10. There was a clear alignment between the department's funding recommendations and its underlying assessment work. The Minister's funding decisions were consistent with his department's advice on each proposal's merit and value for money. The funding decisions were appropriately recorded.

### Funding arrangements (Chapter 4)

11. Funding for approved projects is delivered under the federal financial relations framework. That framework was appropriate for those projects being delivered by State agencies. It is not well suited to administering funding for Council-delivered projects. This is because it introduces an intermediary (the State) between the applicant/project deliverer (the Council) and the funding provider (the Commonwealth). DIRD took worthwhile steps to manage some of the risks involved but it should have consulted more with State agencies before

---

3 Two-thirds of the funding approved was for State government projects; the largest of which cost the same to fund as would the 159 smallest projects competing against it.

implementing an arrangement dependent on the States taking on Commonwealth administrative functions.

12. The payment strategy appropriately safeguarded Commonwealth funds and was improved compared with a number of infrastructure funding programmes previously examined by the ANAO. There remains scope to further improve the linking of milestone payments to cash flow requirements, so as to ensure projects remain viable and programme objectives are achieved.

13. The funding arrangements included a mechanism for collecting relevant, comparable data on project outputs and outcomes. This data will support the implementation of the monitoring and evaluation strategy developed for the Bridges Renewal Programme.

### **Achieving objectives (Chapter 5)**

14. The department has not set any public performance measures that are specific and tailored to the Bridges Renewal Programme. Rather, as it is able to do under the new performance framework established by the *Public Governance, Performance and Accountability Act 2013*, the department's performance measurement is undertaken at a broader level than individual programmes such as the Bridges Renewal Programme.

15. DIRD put in place mechanisms that helped ensure that approved funding would be matched dollar for dollar and generate the desired net increase. The extent to which the programme itself will generate an *additional* \$300 million in Commonwealth funding for bridge projects has been somewhat offset by the concurrent decision to make bridge projects ineligible under round four of the Heavy Vehicle Safety and Productivity Programme. This removed a funding avenue that had been available for bridge projects since 2008–09, redirecting such proposals to the Bridges Renewal Programme.

16. Consistent with the programme's origins, the Minister requested that the capacity of the proponent to pay be a consideration in project selection. To give effect to the Minister's request, DIRD requested relevant information from Council applicants. The department did not then use this information to influence its funding recommendations to the Minister. This contributed to the funding round result whereby the majority of the approved funding (66 per cent) went to State agencies, with those Councils with a low rate base being no more successful than other Councils at attracting funding.

17. The bulk of the available funding was awarded to projects likely to deliver the desired outputs of renewed, replaced and upgraded bridges. Of particular concern is the four per cent (\$4.8 million) of funding awarded to construct new bridges where no bridge had previously existed—an output at odds with the programme's intent. The projects recommended and selected for funding predominately sought to increase productivity, as opposed to those seeking to improve community access. The population of projects selected did not therefore maximise the achievement of the programme's two-fold objective.

18. There was a 14 month period between the policy decision to establish the programme being formalised in December 2013 and the results of round one being announced in February 2015. This left little time remaining in 2014–15 for funding arrangements to be negotiated and construction to commence. Ultimately, 14 (19 per cent) of the 73 projects

selected commenced construction in 2014–15; five of which were subsequently assessed as ineligible for starting before the decisions had been announced.

## Recommendations

### Recommendation No.1

#### Para 4.18

When a funding arrangement is dependent on State/Territory agencies undertaking functions on behalf of the Commonwealth, the ANAO recommends that the Department of Infrastructure and Regional Development negotiate and agree roles and responsibilities with each agency during the design stage.

**DIRD's response:** *Agreed with qualification.*

### Recommendation No.2

#### Para 5.45

For optimum outcomes, the ANAO recommends that the Department of Infrastructure and Regional Development link programme criteria and their application more clearly to the specific objectives of, and underlying policy rationale for, each funding programme.

**DIRD's response:** *Agreed with qualification.*

## Summary of entity response

19. The proposed audit report was provided to DIRD and the Minister for Infrastructure and Regional Development. A formal response to the proposed audit report was received from DIRD. The full response is at Appendix 1 and the summary response is as follows:

The Department welcomes the ANAO's positive comments on the Department's continued improvements to the application and assessment process, as well as the link between funding decisions and advice. In addition, the ANAO has noted that the Department has linked reporting and milestone payments to the release of Commonwealth funds.

Alternately, the ANAO has commented that the assessment criteria are not sufficiently aligned with programme objectives. The assessment criteria were intended to capture likely quantifiable 'outcome' information and allow clearer identification of the relative merit of applications, which in turn would inform an assessment of value for money. Applications with insufficient quantifiable information received low scores. The Department has undertaken a number of activities to improve the quality of applications.

The Department disputes the ANAO's assertion that construction of new bridges was 'at odds with the programme's intent', as new bridges were within the programme objectives.<sup>4</sup>

20. Relevant extracts of the proposed audit report were also provided to the organisations that submitted the proposals the ANAO has used as examples in the sub-section headed 'Assessment of need (missing from the criteria)' at paragraphs 2.39 to 2.46. Relevant comments received have been incorporated into the report.

---

4 ANAO analysis in relation to the funding of new bridges under the Bridges Renewal Programme is included at paragraphs 2.19 to 2.21 and 5.37 to 5.41.

## **Audit Findings**





# 1. Background

---

## Programme origins

1.1 The Coalition announced during the 2010 federal election campaign its commitment to introduce a Bridges Renewal Programme. The then Shadow Minister for Local Government noted 'the growing infrastructure problem posed by the gradual decay of the more than 30 000 small road bridges ... [which] are key economic assets in connecting local communities to the broader road network and getting people to work and school.' Further, that 'some councils have been unable to afford maintenance and upgrades necessary to keep these bridges open'. The proposed programme was to provide \$300 million, matched dollar for dollar, to 'help fix these bridges'.<sup>5</sup>

1.2 The Australian Local Government Association publicly supported the Coalition's pledge. One of the priorities for federal funding that had been identified in the Association's National Local Roads and Transport Policy Agenda 2010–20 was 'additional funding to address the backlog of timber bridges'.<sup>6</sup>

1.3 During the 2013 federal election campaign, the Coalition reiterated its commitment to 'invest \$300 million to upgrade the nation's deteriorating bridges'. Additionally, that 'the federal funding will be allocated on a transparent, competitive basis, giving priority to community needs and economic return'.<sup>7</sup>

## Programme establishment

1.4 Following the 2013 change of government, the Bridges Renewal Programme was established to deliver on the Coalition's election commitment. The programme's objectives are 'to contribute to the productivity and community access of bridges serving local communities, and facilitating increased productivity by enhancing access to allow for greater efficiency'.

1.5 The programme is administered by the Department of Infrastructure and Regional Development (DIRD). A total of \$300 million is available over the five years from 2014–15. The funding is to assist States and Councils to renew, replace and upgrade bridges that carry road vehicles on recognised public roads, excluding those situated on the National Land Transport Network.

1.6 The funds are to be allocated via competitive funding rounds. The Minister for Infrastructure and Regional Development ('the Minister') is responsible for making the funding decisions.

## Applicable legislation

1.7 The Minister's approval of Bridges Renewal Programme funding needed to be in accordance with Section 71 of the *Public Governance, Performance and Accountability Act 2013*.

---

5 The Hon Warren Truss MP, Speech to the National General Assembly of Local Government, 17 June 2010.

6 Australian Local Government Association, *The National Local Roads and Transport Policy Agenda 2010–20*, Australian Capital Territory, 2010, p. 17.

7 *The Coalition's Policy to Deliver the Infrastructure for the 21<sup>st</sup> Century*, September 2013, p. 5.

The projects selected for funding also needed to be approved as Investment Projects under Part 3 of the *National Land Transport Act 2014*.<sup>8</sup>

1.8 The delivery of both State and Council projects is managed through the States under the National Partnership Agreement on Land Transport Infrastructure Projects. Payments made under the National Partnership Agreement are made to States for the purposes of the *Federal Financial Relations Act 2009*. As a result, the Bridges Renewal Programme is not subject to the *Commonwealth Grant Rules and Guidelines*.

## Funding rounds

1.9 Round one of the Bridges Renewal Programme was launched on 18 June 2014 and was expected to provide up to \$100 million. The call for proposals opened on 1 July 2014 and closed on 28 August 2014. The department received 267 proposals from States and Councils. DIRD was responsible for checking eligibility, assessing the value for money offered by eligible proposals, and making funding recommendations to the Minister. In February 2015, the Minister selected 73 proposals for funding totalling \$114.8 million.

1.10 Round two of the Bridges Renewal Programme opened on 1 July 2015 and closed on 31 August 2015, with \$100 million expected to be allocated. When announcing the round, the Minister explained:

Our experience with the first round showed that State Government projects were better able to meet the criteria for the programme. Their projects generally could demonstrate the bigger traffic counts and therefore stronger economic benefits. Last mile local projects could not be competitive. Therefore, this \$100 million second round of the Bridges Renewal Programme will be exclusively available to local government.<sup>9</sup>

1.11 In October 2015, the Minister announced that 270 proposals were received in round two.<sup>10</sup>

1.12 While arrangements are not yet finalised, it is expected that a third round will be held to allocate the remainder of the available funding.

## Heavy Vehicle Safety Productivity Programme

1.13 Round one of the Bridges Renewal Programme was implemented and administered in conjunction with round four of the Heavy Vehicle Safety and Productivity Programme. The objectives of round four were to: increase productivity of heavy vehicles by enhancing the capacity of existing roads and improving connections to freight networks; and improve the safety environment for heavy vehicles drivers. In February 2015, the Minister approved 53 proposals for a total of \$96 million under round four.

---

8 Formerly the *Nation Building Program (National Land Transport) Act 2009*, which was formerly the *AusLink (National Land Transport) Act 2005*.

9 The Hon Warren Truss MP, Opening Address: Australian Local Government Association—2015 National General Assembly, Canberra, 15 June 2015.

10 The Hon Warren Truss MP, dinner speech at SEGRA 2015: Leading and growing sustainable regions, Bathurst, 21 October 2015.

## Audit approach

1.14 The objective of the audit was to assess the effectiveness of DIRD's design and implementation of the first funding round of the Bridges Renewal Programme. To form a conclusion against this objective, the ANAO adopted the following high-level criteria:

- the application and eligibility checking processes promoted transparent and equitable access to the available funding;
- the merit assessment process identified and ranked in priority order those eligible applications that best represented value for money in the context of the programme objectives and desired outcomes;
- the Ministerial decision-maker was well briefed on the assessment of the merits of eligible applications, was provided with a clear funding recommendation, and the decisions taken were transparent;
- funding arrangements for approved projects were appropriate for effective ongoing management and also support a programme evaluation framework;
- the distribution of funding was consistent with the programme objectives and with funding being awarded on the basis of competitive merit; and
- programme planning and design was sound, outcomes oriented, met policy and legislative requirements, and supported efficient and effective programme administration.

1.15 The audit also examined the extent to which the round one arrangements reflected implementation of recommendations made in relevant ANAO audit reports tabled over recent years. Specifically, Audit Report No.3 2012–13<sup>11</sup>, Audit Report No.1 2013–14<sup>12</sup> and Audit Report No.9 2014–15.<sup>13</sup> This focus was in part a response to the Joint Committee of Public Accounts and Audit's recommendation of August 2015 'that the Australian National Audit Office consider prioritising the Department of Infrastructure and Regional Development ... in its continuing series of audits of agencies' implementation of performance audit recommendations'.<sup>14</sup>

1.16 The audit's scope covered key programme elements of the Bridges Renewal Programme, from the design and implementation of the first funding round to the establishment of the funding arrangements. The audit did not examine the delivery of individual projects.

1.17 The audit was conducted in accordance with ANAO auditing standards at a cost to the ANAO of approximately \$553 950.

---

11 *The Design and Conduct of the First Application Round for the Regional Development Australia Fund*, Canberra, 19 September 2012.

12 *The Design and Implementation of the Liveable Cities Program*, Canberra, 8 August 2013.

13 *The Design and Conduct of the Third and Fourth Funding Rounds of the Regional Development Australia Fund*, Canberra, 27 November 2014.

14 Joint Committee of Public Accounts and Audit, *Report 449: Regional Development Australia Fund, Military Equipment Disposal and Tariff Concessions: Review of Auditor-General Reports Nos 1–23 (2014–15)*, tabled on 11 August 2015, Recommendation 1, p. 31.

## 2. Application and assessment process

### Areas examined

The ANAO examined whether the: application and eligibility checking process promoted transparent and equitable access to the available funding; and merit assessment process identified and ranked the eligible proposals that best represented value for money in the context of the programme objectives.

### Conclusion

The funding opportunity presented by the Bridges Renewal Programme was well received. This was reflected in a large body of proposals being submitted and assessed as eligible.

DIRD continues to improve its application assessment methods, including taking action in response to previously agreed audit recommendations. More work remains to be done in certain areas, such as documenting the bases for eligibility decisions.

In a number of important respects, the design and application of the merit assessment process did not adequately focus on the programme's policy underpinnings and its objectives. As a result, aspects of the department's approach did not promote competition for the available funding. Proposals that were disadvantaged in the assessment process were those:

- focused on improving community access;
- submitted by Councils; and/or
- smaller value projects.

Chapter 5 further analyses the effect of the assessment approach on achieving programme objectives, with a resulting audit recommendation that DIRD link its approach more clearly to the specific objectives of, and underlying policy rationale for, each funding programme. In addition, the ANAO provided feedback to DIRD in August 2015 on ways it could improve aspects of its assessment approaches. As the guidance DIRD developed for the States and for departmental assessors for round two of the Bridges Renewal Programme reflected the ANAO feedback, as well as other lessons learned by the department during the course of round one, we have made no recommendations in Chapter 2.

### Was the application process open and competitive?

A competitive application-based process was used, which promoted transparent and equitable access to the funding opportunity. The number of proposals received represented a healthy level of competition for the available funding.

2.1 It was a decision of government that Bridges Renewal Programme funding be allocated through a competitive, merit-based selection process. This was reflected in the design of the application process.

2.2 The opportunity to apply for first round funding was sufficiently publicised to potential applicants, including by the Australian Local Government Association. The process for submitting a

proposal was also effectively communicated. The application stage opened on 1 July 2014, with completed Proposal Forms<sup>15</sup> to be emailed to DIRD by 11:59pm on 28 August 2014.

2.3 DIRD registered 267 proposals for round one funding, but the register did not include the time and date each was received. ANAO identified that at least six proposals had been submitted after the deadline. Three of these had been submitted within two hours of the closing time and were amongst the 267 proposals registered. The other three proposals did not appear on the register or elsewhere in the programme records. Two of these had been submitted 11 hours late, while the other was nearly three days late. DIRD should have recorded the time and date each proposal was received and, against any late proposals, whether it had been accepted or rejected. If accepted, then the basis for that decision should also have been clearly recorded and been consistent with the principles of equity and probity.

2.4 The round attracted a sufficient number of proposals from across the applicant types. There are around 560 Councils in Australia and 133 of these (24 per cent) participated in round one, submitting between one and 16 proposals each. Councils were responsible for 227 of the proposals submitted (or 85 per cent). Each State and Territory government also participated. They were responsible for the other 40 proposals.

2.5 A total of \$306.1 million was requested. The amount sought was three times the \$100 million announced as available under round one.

### **Sufficiency of information obtained from applicants**

2.6 An important factor in determining the appropriate application process is the information that will be required in order to verify eligibility, assess merit and inform funding decisions. The design of the Proposal Form gave applicants the scope and flexibility to describe their projects, detail their costings, respond to each merit criterion and attach supporting evidence. Potential applicants were also given access to departmental officers via telephone and email if they required assistance during the application process.

2.7 Nevertheless, in some cases the Proposal Form did not elicit the information required from applicants to demonstrate the merits of their projects.<sup>16</sup> This situation contributed to a high proportion of the eligible proposals being assessed by DIRD as not representing value for money (at 71 per cent, as outlined in paragraph 2.24 below). DIRD advised the Minister that these proposals:

... were not as successful in demonstrating their claims and/or there was a lack in justifiable analysis and evidence compared with those proposals that received a higher score ... We note that where some of these projects have underlying value, proponents could seek to further develop the arguments and evidence in the proposal and/or undertake further project planning and re-submit these under Round Two.

15 A Programme Criteria and Proposal Form (the 'Proposal Form') was made available from 1 July 2014 to interested States and Councils by request. It played the dual role of funding programme guidelines and application template.

16 For example, the Proposal Form did not request information on the current condition of the bridge or the construction start-date. Further, some applicants provided little information that would distinguish their project from the many other bridges in need of renewal.

2.8 DIRD put in place a number of initiatives to help ensure that the information obtained from applicants in round two would be sufficient to reach an informed assessment of their projects' individual and relative merits. Specifically:

- unsuccessful applicants were offered the opportunity to receive individual feedback via telephone on their round one proposal/s and on how they could further develop any proposals they intended to submit for round two;
- general tips on how to submit Bridges Renewal Programme proposals were included in the National Stronger Regions Fund Roadshow, which was conducted in all capital cities and selected regional centres over May and June 2015; and
- reflecting lessons learned from round one, the Proposal Form issued in round two contained more explicit data fields and guidance.<sup>17</sup>

## Were the eligibility requirements expressed clearly and applied fairly?

An earlier ANAO audit of a funding programme administered by DIRD had identified shortcomings in the recording of eligibility issues.<sup>18</sup> Analysis of round one of the Bridges Renewal Programme indicates that greater attention still needs to be paid to documenting the basis for assessing a proposal as eligible when the available evidence indicates that it does not meet a requirement. Further, the approach taken to assessing the eligibility of Bridges Renewal Programme proposals could have been better aligned with the programme objectives.

2.9 All 267 proposals received were checked for eligibility by DIRD and the findings recorded on individual assessment sheets. The checking process resulted in 12 of the proposals (four per cent) being assessed as ineligible and excluded from further consideration. The eligibility requirements and checking procedures were largely sound. Those shortcomings that impacted the degree of transparency, accountability and equity achieved are outlined below.

### Requirement that construction commence 2014–15

2.10 An intended eligibility requirement was that the projects be ready for construction to commence in 2014–15. DIRD's website had advised potential applicants that:

Round One is focused on projects that are well developed, with planning and approvals well advanced so construction can begin in the 2014–15 financial year. Proponents who would like to seek funding but who are not at a construction ready stage should prepare themselves for Round Two which is expected to be announced in mid to late 2015. *[ANAO emphasis]*

2.11 The Proposal Form also referred to the need for projects to be well developed 'so construction can commence in the 2014–15 financial year'. The associated eligibility requirement, however, was poorly worded.

17 An example of the additional guidance provided against Criterion 2 (Quantified Benefits) is: 'To what extent will this project improve access for the local community? For example: How many properties are served by the bridge? How many bus services would be affected? What distances and time could emergency vehicles save?'

18 ANAO Audit Report No.1 2013–14, *Design and Implementation of the Liveable Cities Program*, pp. 55–57.

2.12 The Proposal Form stated 'Proponents must demonstrate that projects can commence in 2014–15' [ANAO *emphasis*] instead of 'construction'. ANAO analysis identified that 19 per cent of submitted proposals contained indications that construction was planned to commence *after* 2014–15.<sup>19</sup> During the checking process DIRD amended the requirement to be that project activity (such as designing or tendering) needed to occur in 2014–15. DIRD considered this to be in the interest of fairness to applicants, given the requirement had been ambiguously worded in the material available to potential applicants.

2.13 The decision to amend the eligibility requirement was not clearly documented and authorised at the programme level. It was also not brought to the attention of the Minister.<sup>20</sup> Further, the approach adopted was not made transparent in the individual assessment sheets. For example, the following extract from the assessment sheet for a proposal that was ineligible against the intended criterion (given it 'Proposed to commence construction in 2016/2017') does not explain why this proposal was found eligible by DIRD:

Eligibility Criteria	Yes / No	Comments (only provide a comment if there is some doubt about the answer)
Has the proponent demonstrated that project construction can commence in the 2014-15 financial year?	YES	

2.14 While the amended eligibility requirement was equitably applied to all submitted proposals, the situation reduced the extent of the equitable access afforded to potential applicants. Others with proposals at 'project ready' stage may have chosen not to apply in round one based on the intended eligibility requirement and on advice that such proposals should instead await round two (see the quote at paragraph 2.10).

2.15 As eligibility criteria are expected to have been derived from programme objectives, amending a criterion is likely to increase the risk that the objectives will not be achieved. It eventuated that 81 per cent of the projects approved in round one (representing 95 per cent of the funding approved) did not commence construction in 2014–15. See further at paragraph 5.54 of Chapter 5.

### Eligibility of budget items

2.16 Consistent with the election commitment that the Commonwealth funding would be 'matched dollar for dollar', an eligibility requirement was that applicants contribute (or otherwise source) at least half of the total project cost. Assessors checked the project budgets and supporting information to ensure that the amount of funding requested did not exceed 50 per cent and that funds had not been sourced from another Australian Government programme.

2.17 The Proposal Form had stated clearly that 'Proponent contributions are cash only and in-kind contributions will not be considered'. Nevertheless, a number of proposals contained

19 The Proposal Form did not contain a unique field for applicants to record the construction start date; an omission corrected by DIRD in the round two Proposal Form.

20 See further in paragraph 3.14 of Chapter 3.

budget items that were clearly, or potentially, in-kind costs. For example, one proposal included \$59 500 for project management to be undertaken in-house. Some proposals also contained budget items that appeared ineligible on the basis of being costs already incurred. For example, the budget for one of the successful proposals included \$1.3 million for a design that had already been completed. The department's planned approach to assessing the eligibility of individual budget items was not clearly documented in the programme records. Nor was the basis for the department's actual assessment judgments evident given no distinction was made between eligible and ineligible budget items throughout the assessment, funding recommendation or funding negotiation stages.

## **Eligible project types**

2.18 The Proposal Form described the bridge projects eligible for funding under round one as follows:

- The BRP is open to bridge projects carrying road vehicles on recognised public roads.
- Funding is not available for rail bridges; or stand-alone cycleway, pedestrian or stock bridges.
- Bridges situated on the National Land Transport Network are excluded.

2.19 The Proposal Form did not explain that the construction of new bridges—where no bridge previously existed—was an eligible project type. There were seven proposals to construct a new bridge. Each was assessed as eligible and six were ultimately approved for \$7.8 million of Commonwealth funding.<sup>21</sup> The basis for DIRD's decision to treat new bridges as eligible was not explained in the departmental records. If it had been clear to all eligible entities that new bridges were eligible for funding, it would be reasonable to have expected the department would have received more than seven proposals to construct a new bridge.

2.20 The information provided to potential applicants did not promote transparent and equitable access to the funding available for such bridges, as it did not clearly state that a 'renewal' programme would also fund the construction of new bridges. Assessing proposals to construct new bridges as being eligible also represented a disconnect with the objectives of the programme. This issue is examined further in paragraphs 5.37 to 5.41 of Chapter 5.

2.21 In November 2015, DIRD advised the ANAO that the eligibility of new bridges 'has been clarified in round two documentation'. The department's claim that it was clearer in the round two documentation that new bridges were eligible is at odds with the available evidence. The word 'new' did not appear in the round two Proposal Form. Further, the Proposal Form advised potential applicants that 'If you answer NO to any question below the project is NOT eligible for this Round of the BRP' and then posed the question: 'Can you confirm all costs are for the replacement and/or renewal of a bridge?' This implies that new bridges were ineligible, rather than eligible. DIRD advised ANAO that it would 'consider whether there is further need for clarification/consistency'.

---

21 Five were approved under round one and the other (which had been recommended for Bridges Renewal Programme funding) was instead approved under the Heavy Vehicle Safety and Productivity Programme as part of a broader package of road works.



## Did the scoring method provide a clear and consistent basis for ranking competing proposals?

DIRD awarded each of the eligible proposals a score out of five against the specified merit criteria. It used the results to identify the proposals that the department considered individually represented value for money and then to rank those proposals in order of their relative value for money. The method was consistently and transparently applied.

2.22 Each of the 255 eligible proposals was assessed against the four merit criteria<sup>22</sup> set out in the Proposal Form (see Table 2.1). The merit criteria were equally weighted. The assessment findings were documented and were quality-assured by a second assessor.

**Table 2.1: Merit criteria used in round one**

Criterion	Description
Criterion 1— <b>Improved Productivity and Access</b>	<p><b>The degree to which the project is consistent with the programme objectives.</b></p> <p>This will include consideration of evidence to support claims relating to how the project:</p> <ul style="list-style-type: none"> <li>a. facilitates access to services for the local community;</li> <li>b. facilitates integration with key freight networks;</li> <li>c. increases access for higher mass and productivity vehicles;</li> <li>d. facilitates improvements to 'last mile' freight logistics (the portion of the supply chain from the final delivery hub to the customer's door);</li> <li>e. facilitates improvements in the 'whole of journey' for freight in the overall supply chain; and</li> <li>f. aligns with industry and community priorities.</li> </ul>
Criterion 2— <b>Quantified Benefits</b>	<p><b>The degree to which the project provides a level of measurable benefits relative to other proposals.</b></p> <p>The Department will consider stated benefits and supporting evidence provided by proponents to assess projects relative to other proposals, including:</p> <ul style="list-style-type: none"> <li>a. Analysis and evidence supporting claimed benefits in terms of: <ul style="list-style-type: none"> <li>i. capacity for greater efficiency;</li> <li>ii. reduced operating costs;</li> <li>iii. shortened distances travelled;</li> <li>iv. traffic volumes, including proportion of heavy and higher productivity vehicles; and</li> <li>v. community access;</li> </ul> </li> <li>b. Benefit-to-cost (BCR) analysis, where available.</li> </ul>
Criterion 3— <b>State/Territory Priority</b>	<p><b>Project proposals will be prioritised by each state or territory government</b> and higher ranked projects will be assessed by the Department as meeting this criterion to a higher degree.</p>

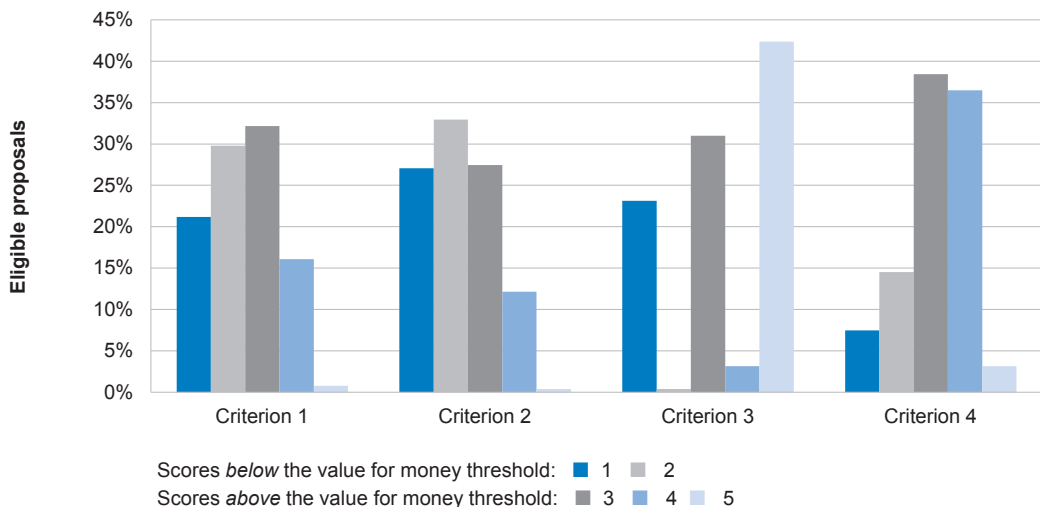
<sup>22</sup> These were called 'programme criteria' in the Bridges Renewal Programme materials. The more generic term 'merit criteria' has been used in this audit report.

Criterion	Description
Criterion 4— Construction Readiness	<p><b>The degree to which proposals demonstrate that they can be delivered within required timeframes—commencement in 2014–15 and completion by 30 June 2017.</b></p> <p>Evidence may include:</p> <ol style="list-style-type: none"> <li>completed planning documents, including preliminary or final design;</li> <li>project costings, where possible supported by an independent Quantity Surveyor;</li> <li>progress on gaining relevant Development Approvals and other approvals such as environmental, cultural and heritage; and</li> <li>identification of any risks and steps for managing those risks, including scope, construction, approvals, financial and delivery.</li> </ol>

Source: Text taken from the Programme Criteria and Proposal Form issued by DIRD for round one.

2.23 The departmental assessors awarded each proposal a score out of five against each criterion. Numerical rating scales such as this have distinct advantages over qualitative scales. Its use is consistent with implementation of Recommendation No.1 of ANAO Audit Report No.3 2012–13 and with DIRD’s related undertaking to the Joint Committee of Public Accounts and Audit that ‘in future we will use a numerical rating scale of 1 to 5’.<sup>23</sup> The distribution of the scores awarded against each criterion is shown in Figure 2.1.

**Figure 2.1: Distribution of scores awarded by criterion**



Source: ANAO analysis of DIRD records.

2.24 DIRD used the scores awarded as the basis for assessing whether or not each proposal represented value for money. Proposals that had been scored less than a three out of five against any merit criterion were assessed as not representing value for money. The method reflected the

23 Joint Committee of Public Accounts and Audit, Official Committee Hansard, *Auditor-General's report No.9 (2014–15)*, Canberra, Friday 6 March 2015, p. 2.

principle that proposals assessed as not satisfactorily meeting the merit criteria are most unlikely to represent value for money in the context of the programme's objectives. The results were documented clearly, with 181 of the eligible proposals (71 per cent) assessed as not representing value for money and so excluded from further consideration as possible candidates for funding.

2.25 The 74 proposals remaining were ranked in order of the relative value for money offered by each. To clearly and consistently differentiate between proposals of varying merit, DIRD added the scores awarded against the four criteria to produce an overall score out of 20 for each proposal. Competing proposals were then ranked in descending order of merit according to their overall scores. Proposals with the same overall score were ranked as being of equal merit. As discussed in Chapter 3, and illustrated in Table 3.1, the resulting order of merit was used as the basis for selecting proposals for funding recommendation and was provided to the Minister to inform his decision making.

2.26 The value for money assessment process adopted in round one was consistent with implementation of Recommendations No.1 (b) and No.2 of ANAO Audit Report No.1 2013–14 and of Recommendation No.2 of ANAO Audit Report No.9 2014–15.

### Were the scores awarded a reliable indicator of merit in the context of the programme's objectives?

The scores were not sufficiently reliable as indicators of project merit in the context of the programme's objectives. This was because the merit criteria did not encompass all key objectives and the underlying policy rationale for the programme. In particular, the round one arrangements did not include a mechanism for scoring proposals according to the applicant's relative need for financial assistance or the condition of the existing bridge.

2.27 For the order of merit list to be relied upon, it is necessary that the underlying scores be an accurate reflection of each proposal's merit. Shortcomings in this area had been identified in a previous audit, resulting in Recommendation No.1 (a) of ANAO Audit Report No.1 2013–14.<sup>24</sup> As per the audit findings outlined below, more work is needed to implement this recommendation fully and to ensure that the suite of proposals that are scored most highly reflect the full range of the programme's objectives.

### Assessing project outcomes and benefits (criterion 1 and 2)

2.28 Criterion 1 (Improved Productivity and Access) was designed to assess the degree to which the project was consistent with the programme's objectives. Criterion 2 (Quantified Benefits) somewhat supplemented criterion 1. It related to the degree to which the project provided a level of measurable benefits relative to other projects. As evident from Figure 2.1 above, proposals performed relatively poorly against these criteria. The majority (65 per cent) were awarded a score of less than three against criterion 1 and/or criterion 2, placing them below the value for money threshold set for this funding round.

24 Being that DIRD improve the assessment of applications by 'clearly and consistently articulating benchmarks and/or standards to inform the judgment of assessors when considering the extent to which an application has met the published assessment criteria'.

2.29 Of note is that proposals predominately aimed at increasing productivity were generally scored more highly against criterion 1 and 2 than those predominately or partially aimed at improving community access. A comparison of the average scores awarded is provided in Table 2.2.

**Table 2.2: Average score awarded by merit criterion by project focus**

Project focus	Criterion 1	Criterion 2	Criterion 3	Criterion 4
Increase productivity (36%)	3	3	4	3
Improve community access (22%)	2	2	3	3
Both productivity and community (42%)	2	2	3	3

Source: ANAO analysis of DIRD records, including the department's analysis of which programme objective/s the projects aimed to achieve.

2.30 ANAO analysis suggests there were two key factors driving this result. Firstly, proposals aimed at increasing productivity contained relatively more objective evidence and data in support of the claims made than those aimed at improving community access. It appeared more challenging for applicants seeking to improve community access to identify ways to demonstrate their projects' merits. The initiatives outlined at paragraph 2.8 that DIRD introduced in the lead up to the second round should assist these applicants to prepare proposals that are assessed as being more meritorious.

2.31 Secondly, departmental assessors were familiar with assessing the extent to which road projects delivered productivity benefits, particularly given they were concurrently assessing proposals submitted under round four of the Heavy Vehicle Safety and Productivity Programme. The policy objective of 'improved productivity' was common to both programmes and the assessor guidance associated with this objective was identical. In contrast, the objective of 'improved community access' was specific to the newly established Bridges Renewal Programme.<sup>25</sup> A different range of factors needed to be considered by assessors but the associated guidance provided was very limited in this regard. The risk was that proposals seeking to improve community access would instead be measured against indicators of heavy vehicle productivity and so perform relatively poorly as a result. There would have been benefit in additional guidance being provided to assessors on the scoring of proposals seeking to improve community access, so as to ensure these proposals were not disadvantaged and that the suite of successful projects would deliver both productivity and community access benefits.

### **The priority of the project to the relevant State/Territory (criterion 3)**

2.32 The score awarded against criterion 3 (State/Territory Priority) was dependent on the priority assigned to that proposal by the relevant State agency. DIRD emailed each State a copy of the proposals submitted for projects located in that State. These were accompanied by an Excel spreadsheet and the instruction 'the attached spreadsheets include places for you to provide a state ranking (e.g. high medium low) and a comment (i.e. justification)'. In response to a request from the ANAO to clarify whether any detailed guidance on prioritising the proposals was provided to States, DIRD advised on 3 July 2015 that:

25 Similarly, the objective of improving the safety environment for heavy vehicle drivers was specific to the Heavy Vehicle Productivity and Safety Programme.

Following a number of discussions between the Department and state/territory government representatives in the lead up to providing copies of the proposals, some jurisdictions expressed reservations about their willingness and capacity to undertake assessments and rankings. At this time, the Department determined that we would let the jurisdictions have some flexibility in the way they assessed, ranked and prioritised but noted they consider two key aspects:

1. Our preference was for them to provide a low-medium-high ranking on all proposals; and
2. The Programme Criteria and Proposal Form including that “state and territory agencies will use information provided in proposal forms to assist in prioritising”.

These messages were conveyed via telephone conversations and no formal guidance was provided to state/territory governments.

2.33 In the absence of detailed guidance, each State determined its own method and scale.<sup>26</sup> This resulted in consistency of assessment within States but some inconsistency of assessment across States. For example, one agency assigned a priority of ‘high’ to every proposal submitted in its State. In the context of a competitive merit-based process, this offers the proposals from that State an advantage over others and it is difficult to see such an approach as achieving the objective of criterion 3. It is also at odds with a nationally competitive funding programme.

2.34 DIRD mapped the priorities assigned by States to its five-point numerical rating scale. For example, proposals assigned a ‘high’ priority were awarded a score of five against criterion 3. Most States used the three-point qualitative scale suggested by DIRD (high, medium and low), resulting in the serrated scoring-distribution that appears in Figure 2.1 above.

2.35 As shown in Table 2.2, proposals focussed on increasing productivity were generally assigned a higher priority by States and were therefore awarded a higher score against criterion 3. As an example, the basis given by one State for assigning a proposal focussed on improving community access a priority of ‘low’ was:

Bridge located on road with low traffic volumes and provides minimal contribution to freight productivity. Low benefit project from a state perspective.

2.36 As indicated by the quote above, there was evidence that some States were ranking proposals according to their degree of alignment with State agency priorities. Whereas the available evidence indicated other States were ranking proposals according to the economic and community benefits that would flow to local areas within their State. This is evident from comments such as ‘It is an important route for that community’ and ‘This bridge provides a critical link for the ... rural community’. This situation suggests that the States (and the programme) would have also benefited from additional guidance from DIRD as to which of these perspectives to take when prioritising proposals and on the ‘improving community access’ objective of the programme.

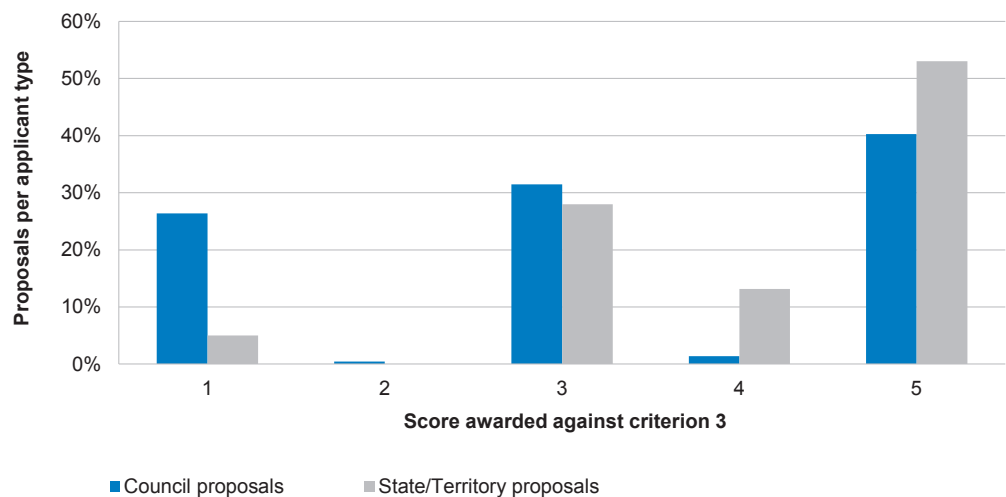
2.37 Without negating the advantages of State involvement, there was an inherent conflict of interest in the States assigning priorities to their own proposals as well as to competing Council proposals. It was not evident that the department had a strategy in place to proactively manage

---

26 In its December 2014 Ministerial briefing recommending which proposals should be approved, DIRD advised that the States had used differing scales when prioritising projects and that some State projects had not been assigned a priority.

this conflict.<sup>27</sup> When considering the results of the merit assessment, the Minister also expressed concern about the involvement of the States in prioritising Council projects in competition with their own (see further at paragraph 3.8). The ANAO’s analysis of the distribution of scores awarded by applicant type is presented in Figure 2.2. On average, States assigned their own proposals a higher priority in round one than the competing Council proposals.

**Figure 2.2: Scores awarded against criterion 3 by applicant type**



Source: ANAO analysis of DIRD records.

**Construction readiness (criterion 4)**

2.38 There were some inconsistencies in the scoring of proposals against criterion 4, such as the extent to which having an unconfirmed State contribution influenced the score awarded. The actual impact of such inconsistencies on the round one funding results was minimised by all proposals that were assessed as representing value for money being ultimately approved for Commonwealth funding. It is more common for the relative ranking of proposals to influence the funding results.<sup>28</sup> It would therefore have been beneficial for DIRD to have provided additional guidance to assessors on the extent to which the factors considered against criterion 4 were to impact the score awarded.

**Assessment of need (missing from the criteria)**

2.39 The purpose of the assessment process is to identify and recommend for funding those proposals that will provide the greatest value with money in the context of the programme’s objectives. The Bridges Renewal Programme originated from a call for federal assistance to

27 The ANAO has previously drawn attention to the conflict of interest issues that arise when States fulfil this sort of role in our earlier audit of the Black Spot Programme (ANAO Audit Report No.45 2006–07).

28 For example, the ANAO’s audit of the Liveable Cities Program outlined: ‘a small difference in scoring could have a significant impact on an application’s success, thereby highlighting the importance of ensuring the underlying scoring methodology was accurately and consistently applied’. See further in ANAO Audit Report No.1 2013–14, *Design and Implementation of the Liveable Cities Program*, p. 77.

address the backlog of old and unsafe local bridges that were beyond the financial capacity of Councils to repair or replace. Missing from round one was a criterion and/or assessment process that explicitly identified and prioritised proposals with these characteristics. As a result the mix of projects that scored most highly, and so were approved for funding, was not focused towards such proposals and so did not maximise the achievement of the programme's objectives.

### *Proponent's need for financial assistance*

2.40 The relative need of competing proponents for financial assistance was not factored into the four merit criteria, the scores awarded or the value for money assessment method. Information that could have been used as an indicator of relative need, which was collected by DIRD, included rate revenue data and the number of bridges under each Council's management. In reference to this information, DIRD advised the ANAO in November 2015 that 'The assessment criteria agreed by the Minister did not include this information and the projects were assessed on this basis'. As a result, the rate revenue and bridge numbers data obtained was not used in the assessment process and the available funding was not targeted to those proponents most in need of financial assistance (see further at paragraphs 5.19 to 5.31 of Chapter 5).

### *Bridge's need for renewal*

2.41 In November 2013, a brochure was published containing photographs from 'Australia's Worst Bridge Competition' and a statement by the then President of the Australian Local Government Association that 'The need for a national Bridges Renewal Programme is illustrated by this brochure and the pictures tell the story better than any words can'.<sup>29</sup> While the Programme then established was not exclusive to the type of old and unsafe local bridges featured in the brochure, they lay at the heart of the policy objective. Many applicants chose to include photographs showing the degree of their bridge's deterioration, include condition reports and/or express their safety concerns. But there was no criterion or weighting designed for assessors to then reflect the relative condition and safety of the bridge in the proposal's score. Nor had the Proposal Form explicitly requested information on the current condition of the bridge.

2.42 There was potential for consideration of the bridge's condition to be a sub-element of criterion 1 and/or 2, given the broadness of their expressed scope in assessing project outcomes and benefits. While at times assessors made reference to a bridge's condition in relation to criterion 1 or 2, particularly as to whether it was load limited, the focus of the scoring was on productivity and community access. Hence proposals to construct new bridges were scored relatively highly by virtue of their traffic flow benefits, even though they were not replacing an existing bridge.

2.43 Proposals with low traffic numbers or no traffic volume data had difficulty attracting scores above the value for money threshold, notwithstanding they may have otherwise demonstrated through photographs, condition reports or letters of support that their bridge needed renewing. For example, a Council with the eighth lowest annual rate revenue of the 133 Councils competing in round one sought \$239 500 to help repair a series of six bridges along a

---

29 *Bridges to a Stronger Future*, produced by the Australian Local Government Association in partnership with GHD, November 2013. It also included a page on which the Minister for Infrastructure and Regional Development promoted the Bridges Renewal Programme.

road in an outer-regional area. Its 147-page proposal was awarded the lowest score possible against criterion 2, which was to assess the stated benefits and supporting evidence provided. This was notwithstanding the applicant had provided letters of support from affected residents, photographs, a Structure Inspection and Load Rating Assessment Report, Bridge Inspection Reports, Box Culverts Analysis Results, Masonry Arch Load Capacity Assessment, engineering report on required works and estimated costs, and a Risk Assessment and Management Strategy. The department's overall assessment comments included:

This proposal presents some excellent points about access and safety for the community, and these are backed by reports and photos of the bridge's defects; however there does not appear to be data on vehicle numbers to further support the claim, or to support any claims to productivity ... Moreover, the safety issues are serious, with one of the culverts having a '0' rating. The proposal would receive a higher ranking if there was data on traffic numbers (current and forecast) and properties (farms, homes etc.) favourably impacted by the project.

2.44 In contrast, the overall assessment comments against a 13-page proposal from a State government for \$432 500 to strengthen a bridge in a capital city, which was scored relatively highly and so recommended for funding, included:

The section of the road is in 60 km/hr speed zone with two lanes for two ways traffic and carries 17,900 vehicles/ day with 6% commercial vehicles. Strengthening of the bridge will avoid freight productivity loss by enabling unrestricted access over the bridge for freight-efficient semi-trailer and B-doubles. This bridge has been assessed by technical experts as having an "S1" rating with at least 50% probability of the bridge being load limited within the next 24 months.

2.45 Reflecting the brochure's message that 'pictures tell the story better than any words can', Figure 2.3 contains examples of photographs of old, unsafe bridges from Council proposals awarded the lowest score possible against both criterion 1 and 2 and assessed by the department as not being value for money (and so were not considered as candidates to be recommended for funding). That is, within a programme established to address such deterioration, these proposals did not receive a single point above the starting score. Two of the Councils whose proposals are included in the Figure 2.3 examples provided comments to the ANAO, as follows:

- Coffs Harbour City Council: 'Council is very supportive of external funding programs designed to assist Councils in managing their road and bridge infrastructure replacement obligations. In the past, external funding has been received by Coffs Harbour City Council from well executed external programs that have meaningful Council representation at an engineering level integrated into them. Council has a view that this aspect is particularly important during the process of developing grant application criterion (and their application forms) and during the process of assessment and ranking of submitted projects ...'
- Kangaroo Island Council: 'The Audit Report adequately addresses some of the limitations in the distribution of this funding to regional councils with low traffic counts and lower value bridges that require renewal and/or upgrade to provide transport networks to enable productivity and access to businesses and residents. This report adequately reflects Council's position on round 1 of the Bridges Renewal Programme and that we look forward to these audit findings being incorporated into the assessment criteria for round two which we have applied for with new proposals.'



**Figure 2.3: Examples of Council proposals awarded the lowest score possible against both criterion 1 and 2 and assessed as not being value for money**

This bridge was independently assessed as 'an emergency urgent project with a safety rating of dangerous'. It lies between two regional towns and the alternative route increases the travelling time from 36 minutes to 76 minutes. Funding of \$250 000 was sought.



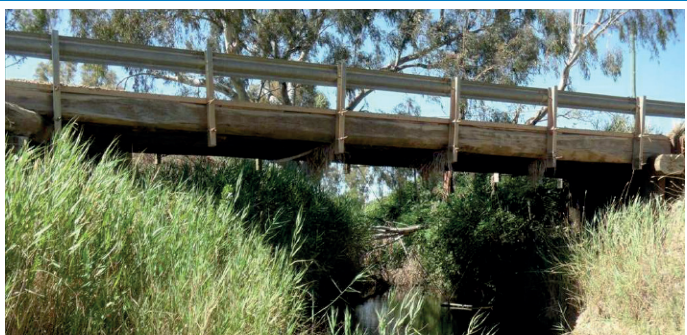
This bridge provides 'the only access to the north of the shire' and it 'can be submerged for weeks at a time during normal rain events'. An independent report stated that it is 'enduring loads in excess of what it was intended to support' and rated it 'Very Poor: Defects affecting the performance and structural integrity which require urgent action'. Funding of \$1.5 million was sought.



This bridge provides access to farming properties, grazing land and State forest. It is one of the 160 bridges being managed by the Council. Funding of \$30 000 was sought.



Located on a school bus route, this bridge 'is in an advanced stage of deterioration'. Further, 'in the event of failure of the existing bridge, some detours are upwards of 30km'. Funding of \$150 000 was sought.



An independent assessment concluded that 'The overall safety of the bridge is a concern given the current deteriorated state of the concrete edge beams'. It noted 'There are no barriers for this bridge, a safety concern for vehicles travelling over the bridge'. The vehicle count was 109 per day. To repair the concrete and install crash barriers, funding of \$9000 was sought.



Source: DIRD records—information provided by applicants in their proposals for funding under round one of the Bridges Renewal Programme.

2.46 While the cohort of proposals that scored highly enough to be considered value for money by the department did include a number of deteriorating bridges, others did not sit comfortably within the programme's intended target group. For example, one that DIRD scored relatively highly, and recommended for \$3.0 million of Bridges Renewal Programme funding, proposed to undertake flood immunity works along a stretch of State highway. As illustrated by Figure 2.4, there was no bridge to renew. The proposal sought to construct a low-level causeway, which is also not a bridge but rather a raised road built across a low or wet place. The Minister had advised the department during the programme's development that 'flood immunity should only be taken into account when a bridge needs to be replaced for other reasons'.<sup>30</sup>

**Figure 2.4: Proposal recommended for \$3 million of Bridges Renewal Programme funding**

According to the proposal, anecdotal flood records had identified road closures approximately once every five years. To 'address nuisance flooding' and 'improve travel reliability', the applicant proposed to undertake flood immunity works at the pictured site involving the construction of a low-level causeway. Funding of \$3 million was sought and recommended.



Source: DIRD records—information provided by an applicant in its proposal for funding under round one of the Bridges Renewal Programme.

30 The Minister decided to instead approve this project under the Heavy Vehicle Safety and Productivity Programme (as outlined at paragraph 3.17).

## How well did the assessment approach reflect the principle of proportionality?

Proportionality is a key principle of funding programme administration but the assessment approach did not recognise that smaller value projects should be expected to deliver fewer benefits than higher value projects. The result was that smaller value projects were less successful.

2.47 In the context of selecting individual candidates for funding, value with money is promoted by selecting those proposals that, amongst other things, involve a reasonable (rather than excessive) cost having regard to the quality and quantity of deliverables that is proposed (and any relevant benchmarks/comparators).

2.48 It would be expected that lower value projects would need to deliver fewer benefits than higher value projects in order to be considered value for money. The Proposal Form advised applicants that more detail would be expected for larger and more complex proposals. The assessment guidance/method did not then explicitly recognise that smaller and less complex proposals required less detail to demonstrate sufficient merit. The ANAO's analysis was that this contributed to smaller value projects being relatively less successful under round one. Eligible proposals that requested above the median amount of funding from the Commonwealth were twice as likely to be assessed by DIRD as representing value for money. At either end of the scale:

- 41 proposals sought funding amounts of up to \$100 000 and five of these (12 per cent) were assessed by DIRD as being value for money; while
- 50 proposals sought funding of more than \$1 million and 18 of these (36 per cent) were assessed by DIRD as being value for money.

2.49 There was no cap placed on the amount of funding that could be requested under round one, beyond the requirement that it not exceed 50 per cent of the total project cost. Funding requested by eligible proposals ranged from \$6000 to \$35 million, with a median of \$350 000. It is challenging to determine the relative value for money of proposals without a specific method in place to manage such a wide range of project sizes. That is, to support the result that the largest proposal—the only one that achieved a total score of 20 out of 20—offered the greatest value for money to the Commonwealth when at \$35 million it cost the same amount to fund as would the 159 smallest proposals competing against it.

2.50 Input to the programme's development from the Minister, as summarised by the Minister's Office in an email to DIRD of March 2014, included: 'The program needs to deliver a significant number of small projects in areas where there are a large number of failing or inadequate local bridges and a handful of larger projects ...' This view is consistent with the programme's objective of addressing the backlog of deteriorating local bridges and highlights the importance of ensuring that the assessment process allows small projects to be competitive.



### 3. Advice and funding decisions

#### Areas examined

The advice provided to the Minister by DIRD as to which applications should be approved for funding and the decisions then taken.

#### Conclusion

The approach taken to advising the Minister as to which proposals were recommended for funding approval, and why, was sound. In particular, there was a clear alignment between the department's funding recommendations and the underlying assessment work.

The Minister's funding decisions were consistent with the advice he had received.

#### Was the Minister adequately advised by his department?

DIRD provided sufficiently accurate and comprehensive advice to enable the Minister to perform his responsibilities as funding approver. This included outlining the relative merits of competing applications against the programme's criteria and the extent to which they would provide value for money.

3.1 It is common for agencies to provide written advice to Ministers to inform their funding decisions.<sup>31</sup> This assists Ministers to meet the requirements of Section 71 of the *Public Governance, Performance and Accountability Act 2013* to make 'reasonable inquiries, that the expenditure would be a proper use of relevant money' and to 'record the terms of the approval'. The practice also promotes informed, transparent decision-making.

3.2 The Minister for Infrastructure and Regional Development was the decision maker for the Bridges Renewal Programme. The Proposal Form for round one stated that 'The Department will assess proposals against programme criteria to develop a merit list representing best value for money and make recommendations to the Minister'. DIRD's advice to the Minister was primarily contained in a written briefing of 19 December 2014 and, in response to the Minister's preference to fund additional Council projects, a further briefing of 9 February 2015.

#### Advice of December 2014

3.3 DIRD's December 2014 briefing clearly outlined the stages and results of the assessment process. This included the:

- details of the 12 proposals assessed as being ineligible;
- merit criteria and the scores awarded against each criterion to each of the 255 eligible proposals;
- method used to assess whether or not each eligible proposal represented value for money; and

31 In respect to granting activities, the grants administration framework requires that Ministers not approve a grant without first receiving written advice from officials on the merits of the proposed grant or group of grants. It also sets out minimum standards for this advice.

- method used to rank the 74 proposals assessed as representing value for money in order of merit.

3.4 In so doing, the briefing was consistent with implementation of the relevant recommendations from the ANAO audits of the Regional Development Australia Fund.<sup>32</sup>

### *Funding recommendation*

3.5 The December 2014 briefing also contained a clear funding recommendation with respect to each proposal. That is, the:

- 64 highest ranked proposals on the order of merit list were identified as recommended by the department;
- 10 remaining proposals on the order of merit list were identified as representing value for money but were not recommended for funding approval; and
- 181 eligible proposals assessed as not representing value for money, and the 12 ineligible proposals, were not recommended.

3.6 Two options for funding the 64 highest ranked proposals were presented to the Minister. The department clearly identified which was its preferred option and why. In summary, the department recommended that the Minister either:

- Option 1 approve the 64 proposals for the \$105.4 million requested (which was greater than the \$100 million advertised as available); or
- Option 2 approve the department's preferred option, which related to the 64 proposals but only part funding of \$29.6 million (against the \$35 million requested) for the Queensland Government's Peak Downs Highway project to ensure that the total allocated in round one was within the stated cap of \$100 million.

3.7 In support of Option 2, the briefing also explained why the department had targeted the Peak Downs Highway project as the means for keeping within the \$100 million funding envelope that had been advertised:

... Justification for this reduced payment includes the large amount sought in relation to the overall funding available in Round One and the Department's view that the Queensland Government should have sufficient capacity to complete the project notwithstanding a small reduction in Australian Government funding. We note, in particular the large contingency amounts (>\$10 million) in the project costings provided by Queensland. While there was not a stated cap on funding amounts for proposals in the Programme Criteria, the amount sought for Peak Downs represents more than a third of funding available. Further, \$35 million would represent the largest project by a very long margin, with the next largest Australian Government contribution being \$8.5 million ... also going to the Queensland Government.

### **Minister's concerns**

3.8 The Minister did not approve the department's recommendations or sign the December 2014 briefing. The following were the key concerns raised by the Minister and/or his

---

32 Being Recommendation No.2 of ANAO Audit Report No.3 2012–13 and Recommendation No.3 of ANAO Audit Report No.9 2014–15.

Office in subsequent email exchanges and in the departmental record of a 3 February 2015 meeting between the Minister and the department:

- the large percentage of funding recommended for State government proposals, particularly for the Queensland Government;
- the involvement of the States in prioritising Council projects in competition with their own;
- whether smaller Councils had their proposals fairly assessed against those from State government and from large Councils;
- that in many cases Council proposals were assessed as not being value for money for reasons of inadequate information being provided against the quantified benefits criterion, when it should have been recognised that small Councils in particular would struggle to do detailed economic analysis or provide benefit cost ratios and traffic data, and yet the projects may be worthy; and
- that few bridge projects located in high rainfall areas were recommended and that some Councils in areas with scores of bridges in poor condition had none of their proposals recommended.

3.9 Applications from States were much more successful than Council applications at being assessed by DIRD as sufficiently meritorious and value for money. As a result, one quarter of the 64 proposals recommended were from State government and these accounted for nearly three-quarters of the funding proposed (being \$73.1 million for State proposals under the department's preferred Option 2 or \$78.5 million under the non-preferred Option 1). While State government had submitted only 15 per cent of the round one proposals, they had sought over seven times more funding on average and were nearly twice as likely to be recommended than Council proposals.

3.10 At the 3 February 2015 meeting, the Minister informed the department of his preference to fund more Council proposals than had been recommended. This approach was consistent with the programme having originated in response to calls from Councils for a dedicated programme of funding to address the backlog of deteriorating local timber bridges.

### **Advice of February 2015**

3.11 In response to the Minister's preference to fund more Council projects, DIRD submitted a further briefing on 9 February 2015. The department recommended that the Minister approve 74 proposals for the \$117.8 million requested. These comprised the:

- 64 highest ranked proposals on the order of merit list as previously recommended (but with up to \$35 million for the Peak Downs Highway project as discussed below); as well as the
- 10 proposals on the order of merit list identified as representing value for money but not previously recommended, all of which had been submitted by Councils.

3.12 The written briefing of 9 February 2015 provided a revised recommendation with respect to the Peak Downs Highway project. Instead of the part funding proposed earlier, the department recommended that the Minister approve 'up to \$35 million for the highest-ranked Peak Downs,

but noting to Queensland that the allocation for Round One will be taken into account in considering Round Two proposals'. The reasoning outlined in the briefing was that:

... it will take some time to negotiate alternative funding arrangements for Peak Downs (with no guarantee of success). This could put the project at risk, as Queensland may not proceed with the project at all. This would also compromise the overall value for money outcome of Round One of the Programme, as the Peak Downs project was the highest ranked project in the Round, meaning it generated the greatest value for money. The Department is therefore of the view that the recommended option, where Queensland is put on notice regarding the Round Two funding, is the most appropriate way to deal with the funding issues.

As discussed in our meeting of 3 February 2015, the proposal states that replacing all four bridges is necessary to remove the relevant load limits on the Peak Downs highway. A funding offer that saw fewer than all four bridges replaced would also mean that existing limits would remain on part of the highway, and the benefits of the project would be greatly diminished.

### Identifying limitations on, or departures from, the assessment process

3.13 The December 2014 briefing identified a limitation on the information available to the assessment of criterion 3, being that the States had used differing scales when prioritising projects and that some State projects had not been assigned a priority. The department outlined the assumptions it had made when scoring proposals against criterion 3 and advised its Minister that the assumed priorities had no material effect on the funding recommendations.

3.14 However, the department did not identify in the December 2014 or February 2015 briefing that during the eligibility checking stage it had amended the intended requirement that 'construction' could commence in 2014–15 to be that the 'project' could commence in 2014–15. It also did not identify that the data collected on bridge numbers and rate revenue (at the Minister's suggestion) was not then used during the assessment process. Nor did the briefings identify that the financial capacity of Councils was not taken into account when forming the order of merit list.<sup>33</sup> In the interest of transparency, accountability and informed decision-making, the written advice should have outlined these departures from the agreed process as well as their consequences in terms of the programme policy underpinnings and objectives.

### Were the funding decisions transparent and consistent with a merit-based process?

The Minister's funding decisions were consistent with his department's advice on each proposal's merit and value for money. The funding decisions were appropriately recorded.

3.15 The Minister decided in February 2015 to approve a total of \$114.8 million to fund 73 of the 74 proposals that had been recommended in the February 2015 briefing.

3.16 Three of these proposals had been submitted prior to the change of government in Queensland. The Minister placed a condition on his approval, being confirmation that the new Queensland Government wished to proceed with these projects. This approach recognised a potential risk of these proposals being withdrawn by the State government after funding had been

33 These matters are examined further in Chapter 5 at paragraphs 5.22 to 5.28.

committed by the Commonwealth. The Minister also queried the eligibility of the Peak Downs Highway project given work appeared to have commenced on one of the four bridges to be replaced. The department advised that it had assessed this project as eligible on the basis that, while there had been some rehabilitation work to the existing timber bridges, no work had started on the new concrete bridges in the proposal.

3.17 The recommended proposal that was rejected for funding by the Minister had been submitted by the NSW Government and sought \$3.0 million to construct a low level causeway on the Golden Highway. The NSW Government had also applied for Heavy Vehicle Safety and Productivity Programme (HVSP) funding to undertake these flood immunity works as part of a broader package of works along the Golden Highway. The department had separately recommended in February 2015 that the Minister approve \$23.8 million for the broader package of works under the HVSP. In this context, the department advised the Minister that 'If you approve both projects the Department will renegotiate the costings for this HVSP project with NSW'.

3.18 The Minister did not wish to approve the same works under two programmes—an approach consistent with ensuring public money is used efficiently and effectively. The Minister therefore proposed to approve the broader package under the HVSP only, so long as the department was comfortable with this approach. The department confirmed that it was comfortable with the proposed approach and the Minister then documented his decision on both the HVSP and Bridges Renewal Programme briefing papers.

### **Degree of alignment**

3.19 There was a clear and consistent alignment between the assessment results, the order of merit list, the department's advice and the Minister's funding decisions. The degree of alignment with respect to the 255 eligible proposals is presented in Table 3.1. The alignment evident between the department's funding recommendations and the underlying assessment of candidate proposals was consistent with implementation by DIRD of Recommendation No.3 of ANAO Audit Report No.3 2012–13.



**Table 3.1: Alignment between assessments, ranking, recommendations and decisions**

Score out of 20	No. of proposals	Rank on merit list	December 2014 advice	February 2015 advice	Funding decision
Assessed as value for money					
20	1	1st	Recommended	Recommended	Approved
18	3	equal 2nd			
17	7	equal 3rd			
16	12	equal 4th			
15	19	equal 5th			
14	9	equal 6th			
13	13	equal 7th			1 Rejected <sup>a</sup>
12	10	equal 8th	Not recommended	Approved	
Assessed as not representing value for money					
4–15	181	N/A	Not recommended	Not recommended	Rejected

Note a: One recommended proposal was rejected for Bridges Renewal Programme funding and approved as part of a broader package of works under the Heavy Vehicle Safety and Productivity Programme. See further at paragraphs 3.17 and 3.18.

Source: ANAO analysis of DIRD records.

### Electorate distribution

3.20 The clear line of sight between the assessment results and the funding decisions helps to demonstrate equity of decision-making and guard against accusations of political bias. In addition, the ANAO's analysis of the award of funding did not identify any evident political bias (see, for example, Table 3.2). The ANAO analysis examined the:

- population of proposals that had been received;
- department's eligibility checking and merit assessment processes;
- department's December 2014 recommendations;
- effect on electorate funding distribution of the Minister's preference to fund more Council projects, which led to the February 2015 briefing; and
- population of approved projects.

**Table 3.2: Electorate distribution analysis of the recommended and approved funding**

Party holding electorate	Proposals received		Recommended rate (December 2014)		Approval rate	
	#	\$m	#	\$	#	\$
Australian Labor Party	45	50.4	33%	37%	38%	34%
Coalition	218	252.5	23%	33%	26%	39%
Other	9	8.5	22%	27%	22%	27%
<b>Overall</b>	<b>272</b>	<b>311.4</b>	<b>25%</b>	<b>34%</b>	<b>28%</b>	<b>38%</b>

Note: Five proposals crossed electorates held by different political parties. In these cases, the proposal and funding is counted in full against each political party.

Source: ANAO analysis of DIRD records and Australian Electoral Commission data on 2013 federal election results.

### Compliance with statutory approval requirements

3.21 The departmental briefings summarised the requirements of Section 71 (approval of proposed expenditure by a Minister) of the *Public Governance, Performance and Accountability Act 2013*. The records of the funding decisions and inquiries undertaken by the Minister in round one demonstrated compliance with Section 71.

3.22 Each project selected for funding also needed to be approved as an Investment Project under Part 3 Sections 9 and 17 of the *National Land Transport Act 2014*. The departmental briefing of December 2014 advised the Minister that the Bridges Renewal Programme projects were eligible for approval in accordance with Section 10 of the Act and appropriate to approve in accordance with Section 11 of the Act. The department obtained the Minister's agreement that, following confirmation of project details with the successful proponents, departmental delegates would sign the relevant Project Approval Instruments under the Act.

3.23 By mid-August 2015, the completion of the evidence collection phase of this audit, signed Project Approval Instruments were in place for 58 of the successful proposals (79 per cent) for a total of \$45.0 million (or 39 per cent of the funding approved). During this process, DIRD identified errors in the figures it had provided to the Minister with respect to two of the selected proposals. These errors were corrected in the signed Project Approval Instruments, resulting in a total decrease of \$60 000 from that approved by the Minister.<sup>34</sup> The status of the projects at mid-August 2015 is further outlined in Table 5.4 of Chapter 5.

34 There were errors in the figures provided to the Minister in respect of six of the 267 proposals submitted for round one funding. Given the nature of the assessment and selection process, it is unlikely that these errors impacted the results of the funding round.

## 4. Funding arrangements

### Areas examined

ANAO examined whether appropriate funding arrangements were in place for effective oversight of the delivery of individual Bridges Renewal Programme projects, to safeguard the Commonwealth funding and for programme evaluation purposes.

### Conclusion

Payments for approved projects are made under the federal financial relations framework. That framework provided adequate control and visibility for projects being delivered by State agencies. It is not well suited to administering funding for projects submitted by Councils (who were responsible for the majority—79 per cent—of the approved projects). DIRD managed some of the risks involved by engaging directly with Council proponents and by linking payments to the delivery of activities. There would have been benefits in DIRD having formally sought State agency input and agreement prior to implementing the arrangement. This could have included:

- requesting and supporting the States to enter into downstream funding agreements with Councils (as some States chose to do) that reflected the terms and conditions on which Commonwealth funding had been awarded; and
- documenting expectations around State administrative costs and the timeliness of payments to Councils.

Consistent with better practice programme administration, DIRD developed a monitoring and evaluation strategy during the early stages of the implementation of the Bridges Renewal Programme.

### Recommendation

ANAO has made one recommendation aimed at DIRD consulting with State/Territory agencies more fully when designing a programme that is dependent on agencies taking on Commonwealth administrative functions.

### Were the funding arrangements appropriate for effective project management?

Funding for approved projects is delivered under the federal financial relations framework. That framework was appropriate for those projects being delivered by State agencies. It is not well suited to administering funding for Council delivered projects. This is because it introduces an intermediary (the State) between the applicant/project deliverer (the Council) and the funding provider (the Commonwealth). DIRD took worthwhile steps to manage some of the risks involved but it should have consulted more with State agencies before implementing an arrangement dependent on the States taking on Commonwealth administrative functions.

4.1 The funding arrangement involved all Bridges Renewal Programme projects and payments being managed under the National Partnership Agreement on Land Transport Infrastructure

Projects that was signed in October 2014.<sup>35</sup> This National Partnership Agreement was established subject to the provisions of the Intergovernmental Agreement on Federal Financial Relations.




























State government projects

4.2 The funding arrangement was appropriate to effectively manage the 15 projects (21 per cent of all funded projects) approved for delivery by the State governments. The Commonwealth and the States were the parties to the National Partnership Agreement, which specifically related to infrastructure projects administered under the *National Land Transport Act 2014* (such as the Bridges Renewal Programme projects) or the *Nation-building Funds Act 2008*. Further, the federal financial relations framework has been the overarching framework for the Commonwealth’s financial relations with the States since January 2009.

Council projects

4.3 The majority (79 per cent) of approved proposals had been submitted by Councils for projects that they would deliver. The operation of the federal financial relations framework precluded DIRD from having legally enforceable agreements direct with the 50 relevant Councils (some Councils had more than one approved proposal). The States were therefore placed between the Commonwealth and the Councils at key stages of the funding process, as summarised in Figure 4.1.

Figure 4.1: Assigned roles for approved Council projects

Stage	Council	State	Commonwealth
		Parties to the Agreement	
Submit the proposal			
Negotiate the milestone deliverables and payment schedule			
Approve under the <i>National Land Transport Act 2014</i>		 	
Deliver the project			
Report monthly on progress		  	
Certify that a milestone has been met and claim payment			
Make the payment		  	
Submit an audited financial statement		 	
Own and maintain the asset			

Source: ANAO analysis of DIRD records.

35 The Agreement is publicly available on the Council on Federal Financial Relations website <<http://www.federalfinancialrelations.gov.au>>.

4.4 As the States were placed in the position of funding recipient, each of the Project Approval Instruments made under the *National Land Transport Act 2014* identified a State agency as the eligible funding recipient. The incongruity of the approach is particularly evident in round two of the programme. Under that round, Councils were the only eligible applicants for funding but States were the only eligible recipients of funding.

4.5 The State agencies (as the eligible funding recipients) were subject to the mandatory conditions set out in Part 3 of the *National Land Transport Act 2014* in respect to both the approved projects that they were to deliver and the projects that Councils in their state were to deliver. These conditions include the requirement to expend the funding payment wholly on 'approved purposes', allow inspections of project work and documents, provide audited financial statements and to repay amounts where a condition has been breached. The States had also agreed to the additional terms and conditions of the National Partnership Agreement and to the administrative requirements set out in the associated Notes on Administration for Land Transport Infrastructure Projects.

4.6 The primary purpose of entering into enforceable agreements is to protect the Commonwealth's interests and manage risks. In order for the terms and conditions placed on the provision of Bridges Renewal Programme funding to be fully effective in this regard, they would need to flow down to the Councils delivering the projects.

4.7 DIRD had advised Councils that 'appropriate funding arrangements (e.g. a separate deed) between local and state governments may also be required'. However, the department did not require or recommend that the States enter into 'downstream' funding agreements with Councils containing equivalent terms and conditions to those of the *National Land Transport Act 2014* and/or of the National Partnership Agreement.<sup>36</sup>

#### *Managing risks through the administrative arrangements*

4.8 DIRD put in place administrative arrangements that, while offering less protection than legally enforceable rights and obligations, helped manage risks to the Commonwealth. These included sending each Council a Project Confirmation for Successful Proponents form to complete prior to the related Project Approval Instrument being signed. The form outlined the administrative arrangements, the reporting requirements, and the milestone deliverables and payment schedule. The form also sought confirmation of partner funding and an update on the project.<sup>37</sup> Following any negotiations on the details, a Council representative was to sign against the statement:

I agree with the terms and conditions outlined in this package and note it constitutes an agreement to the administrative requirements and funding conditions required by the Australian Government.

4.9 Legal advice to the ANAO was that it is highly unlikely that, by signing the form, the Councils entered into a legally enforceable agreement with the Commonwealth. Nor was this

36 ANAO identified some limited evidence that at least two States may have been requiring Councils to enter into funding agreements.

37 DIRD also sent a Project Confirmation for Successful Proponents form to State agencies for projects that the States were to deliver. This was for reasons including to seek assurances that the project was still eligible, to be updated on any project developments and to commence negotiations on milestone deliverables and payments.

DIRD's intention. A benefit of the approach was that DIRD negotiated directly with the Councils that had developed the proposals and that would deliver the projects. Further, explaining the terms and conditions on which the Commonwealth funding had been awarded may increase the likelihood that Councils would act accordingly. To reduce the risk of misleading Councils as to the extent of their legal rights and obligations, the intent of the form and the positioning of State agencies as the eligible funding recipients could have been explained more clearly.<sup>38</sup>

4.10 When funding Councils via State agencies, a potential risk to the Commonwealth's interests is that the administering agency may have insufficient influence and visibility over the milestone deliverables and payments. This risk was highlighted in ANAO's recent audit of the Natural Disaster Relief and Reconstruction Arrangements, where ANAO concluded that the administering agency had placed too much reliance on State central agencies, resulting in millions of dollars of ineligible claims being paid.<sup>39</sup> In respect of the Bridges Renewal Programme, this risk was addressed by DIRD retaining responsibility for assessing the claims for payments and by having the Councils complete the claim form and certify that they had achieved the associated milestone.

4.11 The payment strategy DIRD adopted for both the State and Council delivered projects also helped to address risks to the Commonwealth funds that had been awarded. The payment strategy is examined in paragraphs 4.23 to 4.28.

#### *Timeliness of payments to Councils*

4.12 The placement of the State (as the party to the National Partnership Agreement) between the Commonwealth and the Council was illustrated in Figure 4.1. The monthly progress reporting process under those arrangements had implications for the timeliness with which Councils could expect to receive payments, as well as involving States entering data on behalf of each Council.

4.13 Specifically, Councils emailed their monthly progress reports to the relevant State, so that the State could then reproduce the information in an online Infrastructure Management System for review by DIRD. In relation to payments to Councils:

- DIRD obtains certifications direct from Councils that they have met a milestone in order to claim payment (an effective approach to managing broader risks—see paragraph 4.10);
- DIRD advises the Commonwealth Treasury that a payment is to be made;
- the Commonwealth Treasury makes the payment to the relevant State Treasury on the seventh day of the following month, as per the Intergovernmental Agreement on Federal Financial Relations; and then
- the State forwards the payment to the Council.

---

38 Council emails, meeting minutes and other documents examined by the ANAO indicate that some Councils incorrectly considered that they were 'accepting the offer' of funding, there was a 'funding agreement' and there were 'signed terms and conditions'. The Proposal Form that was issued in round two contained a more detailed explanation of the intended arrangements, but the use of the phrases 'offer of funding' and 'accept the funding offer' continued the risk of misleading Councils.

39 See further in ANAO Audit Report No.34 2014–15, *Administration of the Natural Disaster Relief and Recovery Arrangements by Emergency Management Australia*, p. 15.

4.14 The approach meant there could be considerable delays between Councils meeting a milestone and then receiving the funds related to that milestone. DIRD informed Councils that it may take around six weeks for the State to receive the funds once a milestone payment was claimed, and that a further period should then be allowed for the State to forward the payment to the Council.

*Agreeing roles with State agencies in advance of implementation*

4.15 DIRD designed a funding model that was dependent on State agencies undertaking certain administrative functions on behalf of the Commonwealth. The model also assumed that the States would perform these functions in a timely fashion and at their own cost. Yet there was no written communication with the States seeking their input or agreement to these arrangements. The departmental records referred to 'discussions with state and territory government officials' but the records did not contain any information beyond this phrase. The National Partnership Agreement and associated Notes on Administration are high-level documents that do not detail State-Commonwealth administrative responsibilities for Council projects under the Bridges Renewal Programme, nor are they intended to.

4.16 The same funding arrangements as were used in round one of the Bridges Renewal Programme were intended for round two. They had also been used for round four of the Heavy Vehicle Safety and Productivity Programme. As the number of projects covered by this type of arrangement increases over time, so will the administrative burden on States. Accordingly, there is an increasing risk of States seeking to withdraw their support or to be reimbursed for their role. This risk was identified by DIRD in its advice to the Minister on the round two arrangements, in the context of the States not being eligible under that funding round. Specifically:

It is worth noting that excluding state and territory governments from round two may diminish their willingness to assist with the programme. The Department has had a good level of interaction with state and territory governments regarding prioritisation of projects and facilitation of payments to local government projects. However, there is a risk that one or more state governments could react negatively to being excluded from the round and the Department would have to consider other arrangements if a state was to withdraw this support.

4.17 To avoid a situation whereby a State may withdraw its support, DIRD's expectations should be negotiated and agreed with agencies in advance of programme implementation. DIRD could also request that agencies enter into downstream arrangements with Councils and support them to do so, such as by providing template documents.

## Recommendation No.1

4.18 When a funding arrangement is dependent on State/Territory agencies undertaking functions on behalf of the Commonwealth, the ANAO recommends that the Department of Infrastructure and Regional Development negotiate and agree roles and responsibilities with each agency during the design stage.

**Entity response:** *Agreed with qualification.*

4.19 *The Bridges Renewal Programme is classed as a National Partnership payment, with payments made to and through the states and territories by the Department of the Treasury. Specific roles and responsibilities for each party are outlined in the Notes on Administration and read in conjunction with the National Land Transport Act 2014.*

4.20 *In seeking the states/territories input against criterion 3 (which is the State and Territory Priority/Ranking) for Round One of the programme the Department notes the ANAO's comments that more guidance was necessary. For Round Two of the programme, the Department has provided further guidance to the States/Territories under criterion 3.*

## Did the payment strategy appropriately safeguard Commonwealth funds?

The payment strategy appropriately safeguarded Commonwealth funds and was improved compared with a number of infrastructure funding programmes previously examined by the ANAO. There remains scope to further improve the linking of milestone payments to cash flow requirements, so as to ensure projects remain viable and programme objectives are achieved.

4.21 Care needs to be taken to ensure that the payment strategy adopted by agencies appropriately safeguards the Commonwealth funds and supports the achievement of the purposes for which the funds were approved. The timing and amount of each payment needs to appropriately reflect the:

- risk of non-performance of obligations, or non-compliance with the terms of the agreement. In particular, the Commonwealth's capacity to influence project delivery can be expected to diminish once funds have been substantially paid;
- cost to the Commonwealth, through interest foregone, of payment of funds earlier than needed to achieve programme objectives; and
- cash flow required in order to progress the project, including consideration of whether funding contributions required from the proponent and other sources are being applied to the project at the same proportional rate as the Commonwealth contribution.

4.22 The ANAO has observed<sup>40</sup> that it has been common with funding programmes administered by DIRD for a significant proportion of approved funds to be paid upfront without

40 ANAO Audit Report No.1 2013–14, *Design and Implementation of the Liveable Cities Program*, p. 23.



there being a demonstrated net financial benefit to the Commonwealth from doing so. Rather, the front-end weighting of payments has been used to increase overall programme spending, as spending is often used as an indicator of programme performance.

4.23 An improved approach was evident with the Bridges Renewal Programme. Notwithstanding the potential pressure associated with having a \$60 million appropriation and only four months remaining in 2014–15 at the time funding negotiations commenced, DIRD did not attempt to maximise programme expenditure by making advance payments. Instead, a lower-risk strategy was adopted with each of the payments set out in the agreed milestone schedules being linked to the satisfactory delivery of activities. These were commonly construction activities, with final payments made subject to completion of the project and delivery of a post-completion report. Setting expectations from the outset, the Proposal Form had advised potential applicants that: ‘Australian Government funding should not be used for “front-loading” of projects so Proponents should ensure that funding for their contribution can cover at least 50% of the first year costs’.

4.24 Consistent with departmental guidance on the establishment of milestones under the National Partnership Agreement<sup>41</sup>, DIRD ‘streamlined’ the number of payments per Bridges Renewal Programme project. Of the 58 projects for which a Project Approval Instrument was in place as at 19 August 2015<sup>42</sup>, the agreed milestone schedule for:

- five projects (nine per cent) contained three payments;
- 17 projects (29 per cent) contained two payments; and
- 36 projects (62 per cent) contained a single payment on completion.

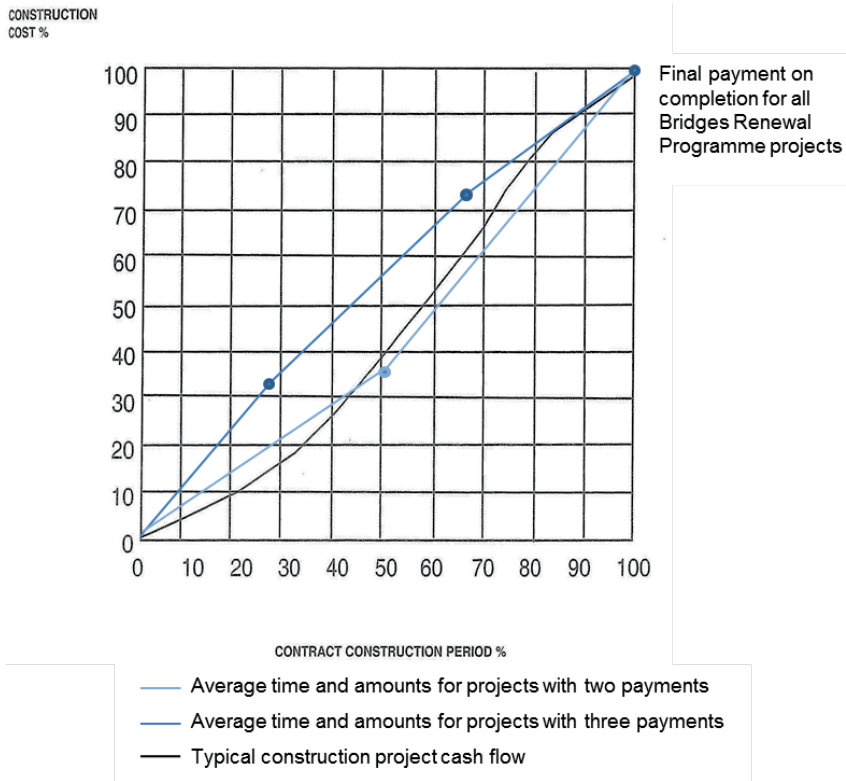
4.25 As illustrated in Figure 4.2, where Bridges Renewal Programme funds were payable by multiple instalments, the timing and amount of each payment was broadly consistent with typical construction project cash flows. This represents an improvement on the payment arrangements noted in a number of earlier ANAO performance audits.<sup>43</sup>

41 For example, the guidance was that for projects less than \$25 million, up to three milestones should be adopted.

42 The completion of the evidence collection phase of this audit.

43 For example: ANAO Audit Report No.1 2013–14, *Design and Implementation of the Liveable Cities Program*, p. 121–123; and ANAO Audit Report No.3 2010–11, *The Establishment, Implementation and Administration of the Strategic Projects Component of the Regional and Local Community Infrastructure Program*, pp. 221–222.

**Figure 4.2: Comparison of milestone payment schedules with typical construction project cash flows**



Source: ANAO analysis of DIRD records of the agreed milestone payment schedules for 58 approved projects, superimposed on graph from *Rawlinsons Australian Construction Handbook 2013*, p. 822.

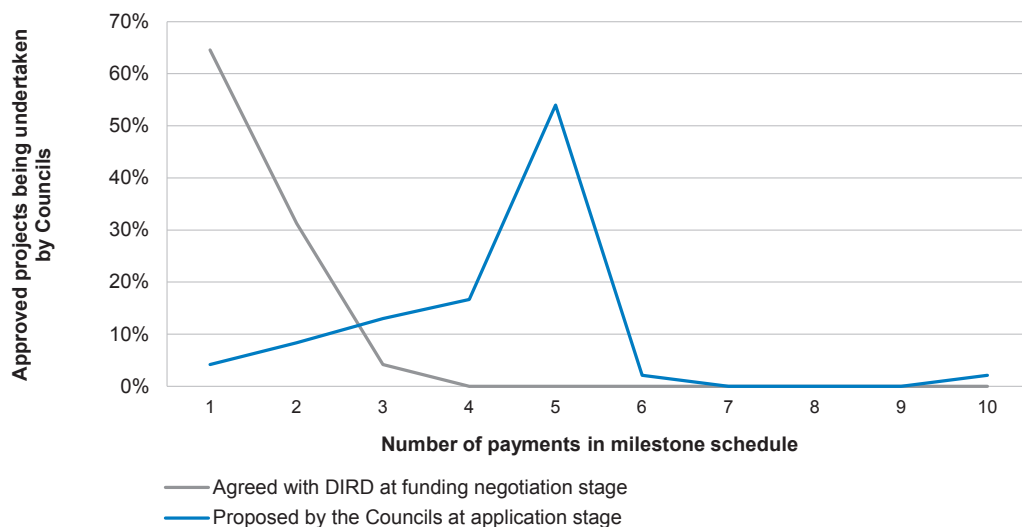
4.26 The payment strategy reflected the federal financial relations framework arrangements. It was consistent with the statement in Federal Financial Relations Circular 2015/01 that 'To the fullest extent possible, project payments are aligned with the achievement of project milestones and made after the States have achieved the outcomes or outputs specified ...' The number of milestone payments was proportionate to the size and risk of the projects, when viewed in the context of the framework and in comparison with the many large-value transport infrastructure projects covered by the National Partnership Agreement.<sup>44</sup> The 'streamlined' approach also reduced the State administration costs of forwarding payments on to Councils.

4.27 While the payment strategy reflected better practice principles generally, it would have been appropriate in this instance to have customised the strategy for Councils that could not otherwise afford to undertake the bridge works (given the policy underpinnings of the Bridges Renewal Programme). Of concern is that, when viewed from the perspective of those Councils,

<sup>44</sup> For example, the Australian Government's \$3 billion commitment to the East West Link project in Victoria came under the same National Partnership Agreement (see ANAO Audit Report No.14 2015–16, *Approval and Administration of Commonwealth Funding for the East West Link Project*).

the number and back-end weighting of payments gives rise to the risk of critical cash flow pressures. For two-thirds of the Council projects, the entire funding amount is payable on completion—a payment regime that only four per cent of the Councils had proposed. Figure 4.3 below compares the number of payments set out in the agreed milestone schedules for projects approved for delivery by Councils with the number that had been proposed by these Councils at the application stage.

**Figure 4.3: Number of milestone payments agreed with DIRD compared with the number proposed by the Councils**



Source: ANAO analysis of DIRD records relating to the 48 Council projects for which a Project Approval Instrument was in place at 19 August 2015.

4.28 Requiring the majority of Councils to find sufficient funds to complete their project in full before a payment could be claimed places the cash flow burden of the projects on Councils.<sup>45</sup> This burden was compounded by the delays under the federal financial relations framework in Councils receiving payments that are made through the States. This situation is at odds with the origins of the programme, which was to enable Councils to undertake bridge works that were otherwise beyond their financial capacity. There is scope to further improve the linking of milestone payments to cash flow requirements, so as to ensure projects remain viable and programme objectives are achieved.

<sup>45</sup> In respect of those Councils receiving a single payment on completion, the payments ranged from \$50 000 to \$883 000 and averaged \$316 129.

## Did the funding arrangements support a programme evaluation framework?

The funding arrangements included a mechanism for collecting relevant, comparable data on project outputs and outcomes. This data will support the implementation of the monitoring and evaluation strategy developed for the Bridges Renewal Programme.

4.29 Under the terms of the National Partnership Agreement, States were to provide a post-completion report for each project set out in the Schedules to the Agreement. In practice, the expectation was that the Council or State that undertook the Bridges Renewal Programme project would provide the post-completion report to DIRD. For Council projects, the direct provision of this information can be expected to be more timely and to provide a clearer line of sight between the expectations of projects at the time of the application and selection process and the final project that is delivered.

4.30 As per the National Partnership Agreement requirements, the post-completion reports were to be submitted with the claim for payment of the final milestone. This approach provides an incentive for the reports to be provided.

4.31 The Notes on Administration for Land Transport Infrastructure Projects, which supports the National Partnership Agreement, contains a template post-completion report. For the purpose of evaluating the Bridges Renewal Programme, DIRD expanded this template to capture additional data such as the:

- load limit of the bridge prior to the project and following the project;
- traffic volume prior to the project and following the project; and
- length of any detour removed.

4.32 This approach will assist DIRD to collect relevant, comparable data on project outputs and outcomes so as to inform an evaluation of the programme. Given the experience with the application process, one risk that will require management is that it may be difficult for some Councils to provide the requested data on traffic volume.

### Monitoring and evaluation strategy

4.33 With the assistance of consultants, DIRD developed a monitoring and evaluation strategy for the Bridges Renewal Programme. It was presented to the department in August 2014 as a draft document, intended to be amended by the department as the programme is implemented. Developing such a strategy at an early stage of programme implementation was consistent with implementation of Recommendation No.3 of ANAO Audit Report No.1 2013–14 on the Liveable Cities Program (now known as the 'Liveable Communities Programme').<sup>46</sup>

4.34 The overall outcome the strategy sought to measure was whether the Programme contributes to infrastructure investment outcomes through renewing and improving the

---

46 The ANAO is undertaking a cross-agency audit on the delivery and evaluation of grant programmes. This audit includes an assessment of the effectiveness of DIRD's development and implementation of an evaluation strategy for the Liveable Communities Programme. The report of this audit is expected to be tabled in autumn 2016.

productivity of road bridges serving local communities. More specifically, by renewing and enhancing bridges, the programme was expected to reduce restrictions on use of the road network by heavy vehicles, and increase community access. The 'signs of success' identified in the strategy were:

- increases in the number of funded bridges accessible to trucks of greater mass limits and size, and the length of network accessible to heavier and higher productivity vehicles due to the Programme;
- projects contributing to improvements in productivity, transport operators utilising more efficient routing (for example, shorter distances) and increases in the use and number of higher productivity vehicles; and
- better access to schools by buses, upgrades to all weather capability and reduced travel distances.

4.35 At the time the strategy was documented it had not yet been determined how the data from projects would be aggregated to a programme level, or how it would be reported. So that the benefits of this work are not lost, it will be important for DIRD to aggregate and analyse the post-completion report data, implement the monitoring and evaluation strategy fully, and apply the results.

## 5. Achieving objectives

---

### Areas examined

The ANAO examined the extent to which the design and implementation of round one was consistent with the policy rationale for the Programme and can be expected to contribute to the Programme achieving its objectives.

### Conclusion

Programme design and implementation took too long (14 months) given the intention that projects commence construction in 2014–15. As a result, less than 20 per cent of the 73 approved projects commenced construction in 2014–15. More than one third of those projects then lost their funding because they had decided to start construction before funding had been announced. Applicants were placed in the position of having to decide whether to delay their project until the result of their application had been announced or to commence the bridge works and so forgo the funding opportunity.

Effective arrangements are in place to require that the Commonwealth contribution to each funded project be no more than 50 per cent of total project costs. This is consistent with the expectation that \$300 million of Bridges Renewal Programme funding will deliver a total investment of at least \$600 million.

Insufficient attention was given to focusing funding on renewing and upgrading deteriorating local bridges that Councils could not otherwise afford, and that gave priority to community needs as well as, or instead of, economic return. This was reflected in the:

- majority of the available funding being awarded to projects to renew, replace or upgrade existing bridges but applications to construct a new bridge being more successful in percentage terms;
- majority of the approved funding (66 per cent) going to State agencies, with those Councils with a low rate base being no more successful than other Councils at attracting funding; and
- funded projects predominately seeking to increase productivity, with those seeking to improve community access disadvantaged in the selection process.

### Recommendation

The ANAO has made one recommendation aimed at the department more clearly linking the programme criteria and their application to the specific objectives of, and underlying policy rationale for, each funding programme.

## What is the nature of the performance framework in place for the programme?

DIRD has not set any public performance measures that are specific and tailored to the Bridges Renewal Programme. Rather, as it is able to do under the new performance framework established by the *Public Governance, Performance and Accountability Act 2013*, the department's performance measurement is undertaken at a broader level than individual programmes such as the Bridges Renewal Programme.

5.1 The new performance framework set out under the *Public Governance, Performance and Accountability Act 2013* is a fundamentally different framework from the one in place up to 2014–15. The previous framework required the performance of programmes to be measured and reported through Key Performance Indicators (KPIs). The new framework adopts a much broader approach to performance measurement. The level at which performance is measured is also left to the discretion of individual entities and can be at the entity, program, sub-program or activity level.

5.2 The new framework is being progressively implemented from 1 July 2015, with the first milestone being the publication of 2015–19 Corporate Plans for all Commonwealth entities. Entities' Corporate Plans are expected to include information on: how an entity will achieve its purposes; and how the entity's performance will be measured and assessed in achieving the entity's purposes.

5.3 DIRD's Corporate Plan outlines that it has a set of outcomes that are delivered through a suite of programmes. The Bridges Renewal Programme is part of the broader infrastructure investment programme. The department's 2015–16 Portfolio Budget Statements outlined that the objectives of the infrastructure investment programme included:

contributing to the productivity of new bridges serving local communities and facilitating higher productivity vehicle access through the Bridges Renewal Programme.

5.4 The Corporate Plan, and the Portfolio Budget Statements, identified two qualitative KPIs (Australian land transport networks are safer; and Australian land transport networks are more efficient) and a single quantitative KPI (payments are within five per cent of forecast). Those published KPIs do not directly address the Bridges Renewal Programme objective of contributing to the productivity and community access of bridges serving local communities, and facilitating increased productivity by enhancing access to allow for greater efficiency. DIRD advised the ANAO in November 2015 that 'there are no specific KPIs at this level'.

## Will the programme result in a total investment of at least \$600 million?

DIRD put in place mechanisms that helped ensure that approved funding would be matched dollar for dollar and generate the desired net increase. The extent to which the programme itself will generate an *additional* \$300 million in Commonwealth funding for bridge projects has been somewhat offset by the concurrent decision to make bridge projects ineligible under round four of the Heavy Vehicle Safety and Productivity Programme. This removed a funding avenue that had been available for bridge projects since 2008–09, redirecting such proposals to the Bridges Renewal Programme.

### Provision of an additional \$300 million in Commonwealth funding

5.5 The \$300 million to establish a federal bridges programme was made available over five years from 2014–15. The extent to which this will deliver an *additional* \$300 million for bridges has been somewhat offset by the decision to make bridge projects ineligible under round four of the Heavy Vehicle Safety and Productivity Programme (HVSPP). More than \$21.5 million had been approved for bridge projects over the first three funding rounds. This included, for

example, \$1.5 million for bridge-strengthening projects in the Australian Capital Territory so as to bring them up to a Higher Mass Limit standard.

5.6 The stated preference of the Minister was that ‘bridge projects which facilitate higher mass vehicle usage be allowed’ under round four. Similarly that, ‘The HVPP should continue to focus on productivity improvements on the major networks including bridges’. Such an approach would have been consistent with the focus of the Bridges Renewal Programme policy being on the provision of additional funding for the ‘some 30,000 local bridges [that] are approaching the end of their lifespan’.<sup>47</sup>

5.7 DIRD recommended against this approach, advising that bridge projects should be limited to the Bridges Renewal Programme. This was for reasons of ‘programme clarity’ in particular, such as it being clear to applicants which programme to apply to for funding. On balance, the Minister accepted the department’s advice.

5.8 As a result, some proposals that may have otherwise competed for HVSP funding were instead directed to the Bridges Renewal Programme. For example, the Australian Capital Territory sought \$800 000 to strengthen a further three of its bridges ‘to enable use by higher productivity heavy vehicles’ and this was approved under the Bridges Renewal Programme.

5.9 The decision also removed an avenue for the funding of bridges located on the National Land Transport Network, with potentially adverse effects for economic growth.<sup>48</sup> To illustrate, the Northern Territory sought \$2.4 million to strengthen the Katherine River Bridge ‘to meet the current AS5100 Bridge Design code and be able to carry HLP400 and M1600 design vehicles’. The bridge is located on-Network along the Stuart Highway, which ‘is identified as a freight corridor of enormous economic significance and the Katherine River Bridge is a critical element of this corridor’. Both on-Network and off-Network projects are eligible under the HVSP but this proposal was assessed as ineligible in round four because it was a bridge project. It also was not eligible for Bridges Renewal Programme funding because only off-Network projects were eligible.

5.10 There was potential for DIRD to have distinguished between the types of bridge works eligible under each programme, so as to retain the funding avenue without sacrificing clarity for potential applicants. Bridge works that would be more suited to eligibility under the HVSP include:

- bridges on the National Land Transport Network;
- strengthening otherwise sound bridges to meet current Australian Standards for heavy vehicle usage;
- constructing new bridges (where no bridge previously existed); and
- road projects where the bridge works are a minor component of the overall cost.

---

47 *The Coalition’s Policy to Deliver the Infrastructure for the 21<sup>st</sup> Century*, September 2013, p. 5.

48 The recent Australian Infrastructure Audit concluded ‘The National Highway network is a prime enabler of freight movements and economic growth ... Further improvements to productivity will require a focus on reforms to enable the wider use of [B-Triples], and greater investment in bridges and measures to improve road safety’. (Infrastructure Australia, *Australian Infrastructure Audit: Our Infrastructure Challenges*, April 2015, p. 8 of Executive Summary.)



5.11 Round five of the HVSP opened on 2 December 2015. The list of ineligible project activities included 'construction of new or upgrades to existing bridges'.

### **Delivering a total investment of at least \$600 million**

5.12 The Coalition election commitment of \$300 million stated that it was to be matched by Councils and States, 'delivering a total investment of at least \$600 million in replacing old bridges'. The matching funding requirement was implemented through the eligibility criteria established for the first funding round. Specifically, to be eligible, Bridges Renewal Programme funding was not to exceed 50 per cent of the total project cost. All proposals submitted were checked for compliance with this requirement. One was found ineligible and excluded from further consideration.

5.13 The proponent's financial contribution to the project could come from State, Council and/or private sector sources. In respect of each proposal selected for funding under round one, DIRD sought evidence that the proponent contributions had been secured prior to signing the Project Approval Instrument. This was an important check for DIRD to undertake, given the time that had passed and that some Council applicants had been awaiting the outcome of State government funding rounds at the time proposals were submitted. As at 19 August 2015, one of the applicants had been reassessed as ineligible on the basis of proponent contributions not being confirmed and so the offer of Commonwealth funding had been withdrawn.

5.14 It is relatively common for competitive funding programmes managed by DIRD to reward proposals that offer partner contributions additional to the minimum requirement.<sup>49</sup> This is intended to maximise the extent to which the Commonwealth funding leverages funding from other sources. The merit assessment process established for the Bridges Renewal Programme did not include such a mechanism. This was an appropriate approach because favouring proposals from proponents that could afford to contribute more than 50 per cent to the project would be at odds with the programme's origins in renewing and replacing deteriorating local bridges that would otherwise have been beyond the financial capacity of Councils to undertake.

### *Progress made in round one towards achieving the \$600 million target*

5.15 The total of the proponent contributions offered in the 39 eligible State proposals equalled 50 per cent of the total project costs, and all were self-funded. The total of the proponent contributions offered in the 216 eligible Council proposals equalled 56 per cent of the total project costs. Of these contributions, 54 per cent were self-funded, 43 per cent were to be sourced from State government and the other three per cent were from the private sector (such as a quarry and a paper mill).

5.16 The Minister approved \$114.8 million to fund 73 proposals, which were to deliver a total investment of \$230.9 million. That is, it was estimated that proponents would contribute 50.3 per cent of the project costs in total and so match the Commonwealth's contribution approximately dollar for dollar.

---

49 For example, the programme guidelines for the (now) Liveable Communities Programme, the Regional Development Australia Fund and the National Stronger Regions Fund included specific merit criteria that assessed the extent of the partner funding offered. This was also the case in relation to the former Strategic Regional [Roads] Programme.

5.17 As at 19 August 2015, Project Approval Instruments had been signed for 58 of these proposals for a total of \$45.0 million in Commonwealth funding. The departmental records indicate that some project costings had been revised during the period between proposals being submitted and Instruments being signed. The signed Project Approval Instruments did not record the amount of the proponent's contribution or the estimated project cost. The Project Confirmation for Successful Proponents form recorded the amount of Commonwealth funding approved followed by the statement 'or a maximum of 50% of the agreed project cost, whichever is the lesser'. This will support provision of at least matching funding. The total amount of funding expected to be leveraged in excess of this could not be readily determined, and will be dependent on actual costs incurred, but is likely to be minimal.

### Managing risks to the funding generating a net increase

5.18 Key risks to the approved Bridges Renewal Programme funding generating the desired net increase include cost shifting, double dipping and retrospectivity. As outlined in Table 5.1, DIRD satisfactorily designed and implemented a treatment to each of these risks using the eligibility criteria. As also outlined, there was opportunity to improve the treatments to the risks of cost shifting and retrospectivity.

**Table 5.1: Treatments to risks to the funding generating a net increase**

Risk	DIRD's treatment	ANAO's assessment
<b>Cost shifting</b> —Commonwealth funding enabling State/Council to reduce the level of its own source funding that is applied to the relevant activity.	The Proposal Form stated that funding would not be provided for projects that include ongoing operational and maintenance costs. DIRD checked all proposals submitted and assessed six as ineligible on the basis of being maintenance projects.	The design and implementation of the risk treatment was <b>satisfactory</b> . It could have been improved by providing examples of ineligible activities/costs, as at times assessors had difficulties applying the eligibility criterion.
<b>Double dipping</b> —when an applicant is seeking funding for a project for which Commonwealth funding has already been provided or is available.	The Proposal Form stated that funding would not be provided for projects that have received or are receiving funding under another Australian Government programme (including Roads to Recovery and disaster relief). DIRD checked all proposals submitted and assessed one as ineligible on the basis that the matching funding was being sourced from another Australian Government programme.	The design and implementation of the risk treatment was <b>satisfactory</b> .

Risk	DIRD's treatment	ANAO's assessment
<b>Retrospectivity</b> —providing funding for expenditure already incurred or for projects or activities that have already commenced.	<p>The Proposal Form stated that funding would not be provided for projects that had already commenced.</p> <p>DIRD checked all proposals submitted and assessed two as ineligible on the basis that construction had commenced.</p> <p>DIRD checked all proposals selected for funding and (as at 19 August 2015) assessed five as no longer being eligible on the basis that construction had commenced.</p>	<p>The design and implementation of the risk treatment was <b>satisfactory</b>.</p> <p>It could have been improved by explicitly excluding expenditure already incurred (such as on bridge designs) and then removing any such items from project budgets when calculating the Commonwealth and matching funding amounts.</p>

Note: This analysis relates to treating risks during the assessment and selection phase. Different treatments are required during the project delivery phase.

Source: ANAO analysis of DIRD records.

## Was the available funding targeted to those proponents most in need of financial assistance?

The implementation of the programme did not target funding to those proponents most in need of financial assistance. Consistent with the programme's origins, the Minister requested that the capacity of the proponent to pay be a consideration in project selection. To give effect to the Minister's request, DIRD obtained relevant information from Council applicants. But the department did not then use this information to influence its funding recommendations to the Minister. This contributed to the funding round result whereby the majority of the approved funding (66 per cent) went to State agencies, with those Councils with a low rate base being no more successful than other Councils at attracting funding.

5.19 The Coalition's 2010 and 2013 election commitment of \$300 million for a bridges renewal programme was largely in response to calls from Councils. The 2010 commitment coincided with the launch of the Australian Local Government Association's *The National Local Roads and Transport Policy Agenda 2010–20*. That document identified the need for 'additional funding to address the backlog of timber bridges' in light of the challenge 'for councils to remain financially sustainable in the face of growing demands on road and transport infrastructure'.<sup>50</sup> This need was supported by the findings of the *Infrastructure Report Card 2010*, which included that:

The gap is widening between the funds required to maintain and improve local roads, and what is actually being spent. Funding is required to close the gap, with specific attention given to renewing and upgrading bridges on local roads. Local governments have responsibility for a large number of timber bridges that are deteriorating, and maintaining these bridges is very costly.<sup>51</sup>

5.20 In the lead up to the 2013 federal election, the resolutions from the 2013 National General Assembly of Local Government included:

50 Australian Local Government Association, *The National Local Roads and Transport Policy Agenda 2010–20*, Australian Capital Territory, 2010, pp. 16–17.

51 Engineers Australia, *Infrastructure Report Card 2010: Australia*, November 2010, p. 20.

that, as part of its infrastructure renewal platform, the National General Assembly call on the Australian Government to have additional funding made available for the replacement of timber bridges on local roads.<sup>52</sup>

5.21 Accordingly, Coalition statements often linked the need for a federal bridges programme to it being beyond the financial capacity of Councils to otherwise renew the large number of bridges approaching the end of their lifespan. For example:

Australia's 30,000 local bridges are vital in connecting people within communities—but substantial upgrades are often beyond the financial resources of local governments. We want to work with local government to help fix these problems by providing up to 50% of the cost of building the replacement bridges so often required.<sup>53</sup>

5.22 In March 2014, the Minister's Office advised DIRD that the capacity of the proponent to pay should be a consideration in project selection. For example, that a 'small council with a lot of small bridges or an expensive bridge should be given more AG [Australian Government] funding than a large metropolitan council with large rate base'. To achieve this, the Minister suggested in May 2014 that rate revenue and the number of bridges in a local government area be included as factors in choosing projects.

5.23 In response, DIRD added a statement to the Proposal Form advising that 'additional information is sought from Local Governments to provide context for assessment, and so the Minister can consider this in the mix and funding sources of projects to be selected'. It also added 'Section G' for Councils (only) to complete. Section G sought, amongst other things, rate revenue and bridge number data. DIRD advised the Minister in June 2014 that its recommendation of projects would take into account factors including 'a council's financial capacity'.

5.24 The data recorded in 'Section G' indicated a wide variation in the financial capacity of competing Councils. For example, there was a difference of \$2.6 billion between the highest total rate revenue recorded (over three years) and the lowest, with the median being \$43.9 million. The number of road bridges recorded ranged from a single bridge to 571 bridges, with a median of 65 bridges being under Council management.

5.25 Notwithstanding the Minister's expectations and the impost on Councils, the data provided in 'Section G' was not then used by DIRD to inform the merit assessment, the value for money assessment or the selection of projects for funding recommendation. Nor was it provided to the Minister to inform his decision-making (beyond sending the Minister a copy of the 255 eligible proposals). In response to this audit finding, DIRD advised the ANAO in November 2015 that:

This information was collected for context and provided to the [Minister's Office]. DIRD discussed options (including with the Minister and/or his office) to include such information in the criteria, but could not come up with a defensible approach that demonstrated value for money. The assessment criteria agreed by the Minister did not include this information and projects were assessed on this basis.

---

52 Resolution Number 7, Resolutions from the 2013 National General Assembly of Local Government, 16–19 June 2013, available from <<http://alga.asn.au/>>.

53 Hon Warren Truss MP, speaking at the Local Government Association of South Australia—2013 'Transitions' Conference, 25 October 2013.

5.26 That DIRD ‘could not come up with a defensible approach’ is consistent with the following departmental advice of May 2014 to the Minister:

We note your comments about the need to consider the lower financial capacity of some councils in the development of the programme parameters. The Department’s previous recommendation that the Bridges Programme be limited to regional and remote councils had sought to address this consideration by excluding more financially viable, large metropolitan councils.<sup>54</sup> In the absence of such a regional approach, the Department does not consider there are other effective and robust ways to take into account the diversity of financial capacity across councils.

5.27 DIRD’s areas of responsibility include improving road transport infrastructure and assisting local government and, in 2014–15, it administered \$8.9 billion in Commonwealth programmes.<sup>55</sup> It would be expected that the department would therefore have the capacity to develop an effective and robust means of targeting \$300 million of road transport infrastructure funding according to local government need. As outlined in paragraphs 5.22 to 5.25, it was left to the Minister to propose a means. DIRD agreed, advised the Minister that it would take into account a Council’s financial capacity when recommending projects in merit-order, but then did not do so. It is unreasonable of the department to then expect the Minister to glean ‘context’ from the diversity of data contained within the 255 proposals it sent to his Office—particularly when the department had not informed the Minister that this data had not already been factored into the order of merit list developed by the department.

5.28 The Minister’s request that the capacity of the proponent to pay be a factor in project selection was consistent with the programme’s origins. It also reflected the fundamental principle that Commonwealth funding should add value by achieving something worthwhile that would not occur otherwise. In this context, it would have been expected that greater attention would have been paid by DIRD to implementing the Minister’s request.

## Results in round one

5.29 The ANAO’s analysis indicated that there was no variation of significance in the success of Councils in attracting round one funding relative to their rate revenue.

5.30 There was also no variation of significance in success relative to bridge numbers, except at the top of the scale. As a cohort, Councils that reportedly managed more than 200 road bridges (11 per cent of the Councils competing) were relatively more successful at attracting funding. A result likely due to the relative number of deteriorating bridges from which to select competitive projects. Although some of the Councils that managed more than 200 road bridges had none of their proposals approved.<sup>56</sup>

---

54 In reference to this recommendation, the Minister’s Office had advised the department in March 2014 that ‘Cities and major regional areas should not be excluded from the Bridges Programme because that is where the majority of bridges are located’ and that ‘the assessment process could deal with ... too many capital city projects’.

55 Department of Infrastructure and Regional Development, *2014–15 Annual Report*, Canberra, 19 September 2015, p. 2.

56 One of the Councils in this situation expressed concern to government and media that the focus of round one had been largely on meeting the needs of heavy vehicles. It sought amendments for round two to ensure that those local government areas with the greatest need receive an equitable allocation of funding.

5.31 In terms of the size of the Councils' share of the total funding available, one-third was approved for Council proposals (\$39.3 million) and two-thirds for State proposals (\$75.5 million). This distribution is inconsistent with the programme's origins. The Minister's dissatisfaction with this outcome was reflected in his decision that the second funding round be exclusive to local government. He also advised the department that some priority should be given to proposals that demonstrate a greater need due to emergency access requirements or to there being a single access point for the broader community.

### Was the available funding targeted to those projects most likely to deliver the desired outputs and achieve the programme objectives?

The bulk of the available funding was awarded to projects likely to deliver the desired outputs of renewed, replaced and upgraded bridges. Of concern is the four per cent awarded to construct new bridges where no bridge previously existed—an output at odds with the programme's intent. The projects recommended and selected for funding predominately sought to increase productivity, as opposed to those seeking to improve community access. The population of projects selected did not therefore maximise the achievement of the programme's two-fold objective.

5.32 Programmes like the Bridges Renewal Programme are established to transfer Commonwealth funding to proponents to deliver specific outputs for the purpose of achieving the programme objectives. Achieving value with the Commonwealth funding should be a prime consideration. In the context of the allocation process, achieving value with money relates to the extent to which the population of projects maximises the achievement of the specified objectives within the available funding.

### Delivering the desired outputs

5.33 Since the programme's first appearance as a 2010 election commitment, public descriptions have consistently presented the funding as being available to renew or upgrade the nation's deteriorating bridges. This is evident from the programme's name—the Bridges *Renewal* Programme—and was reflected in the outputs listed in the Proposal Form, being 'renewed, replaced and upgraded bridges'.

5.34 According to 2011 data, there are nearly 28 000 bridges under Council management.<sup>57</sup> An indication of the condition of these bridges was provided in the *National State of the Assets 2014* report. The 396 Councils that provided data for the report (70 per cent of all Councils) indicated that:

- of the \$7.6 billion of concrete bridges under their management, \$0.31 billion (four per cent) were in a poor to very poor state; and

57 National Local Roads Data System, a national database of local government expenditure maintained by the Australian Local Government Association and state grants commissions. It is operated by Jeff Roorda and Associates on behalf of the Australian Local Government Association and is at <[www.jr.net.au/nlrds/](http://www.jr.net.au/nlrds/)>.

- of the \$1.2 billion of timber bridges under their management, \$0.27 billion (23 per cent) were in a poor to very poor state.<sup>58</sup>

5.35 The report's finding that timber bridges were generally in a poorer condition than concrete bridges was reflected in applicant demand for funding. Around two-thirds of the eligible proposals were seeking to renew, replace or upgrade timber bridges. These also comprised at least 55 per cent of the proposals, and 67 per cent of the funding, approved under round one. Table 5.2 presents the eligible and approved proposals by project output and bridge type.<sup>59</sup>

**Table 5.2: Proposals by project output and bridge type**

Project output and bridge type	Eligible proposals		Approved proposals		Approval rate
	#	\$ million	#	\$ million	#
<b>Renew, replace or upgrade an existing bridge</b>					
Predominately timber	162	175.4	40	76.4	25%
Predominately concrete or iron	63	91.3	23	24.1	37%
Not apparent from proposal	23	26.6	5	9.4	22%
<b>Construct a new bridge</b>					
Not applicable (no existing bridge)	7	8.6	5	4.8	71% <sup>a</sup>

Note a: Another of the new bridge proposals was recommended for Bridges Renewal Programme funding but was instead approved under the Heavy Vehicle Safety and Productivity Programme. Therefore, 86 per cent of the new bridge proposals were ultimately approved for Commonwealth funding.

Source: ANAO analysis of DIRD records.

5.36 The assessment method did not include a criterion, weighting or other mechanism that enabled assessors to reflect the relative condition of the bridge or urgency of its repair in the scores awarded. There was not, therefore, a means to target funding towards the renewal of those bridges in a poor to very poor state. For example, those recommended and approved for funding under round one included a bridge with 'a 30% probability that 30 Tonne load limit will need to be applied within the next two years for continued safe operation'—that is, it is far more likely that a load limit will not be imposed on this bridge. The absence of such an assessment mechanism is examined in paragraphs 2.39 to 2.46 of Chapter 2.

### *Construction of new bridges*

5.37 Proposals seeking to construct new bridges were substantially more successful in attracting funding than those renewing, replacing or upgrading an existing bridge (as per the 'approval rate' column in Table 5.2).

5.38 Seven proposals had sought funding to construct a new bridge where no bridge had previously existed. DIRD assessed each of these as eligible and six as representing value for money. Five were then approved for funding under the Bridges Renewal Programme. One of

58 Prepared by Jeff Roorda and Associates for the Australian Local Government Association, *National State of the Assets 2014*, November 2014, p. 6.

59 All bridges were road transport bridges. Consistent with the programme's intent and eligibility criteria, there were no proposals submitted for rail bridges or for stand-alone cycleway, pedestrian or stock bridges.



these, for example, had \$2.2 million approved to build a new bridge to be situated on a new 1360m link-road. This result is at odds with the programme's objectives.

5.39 The departmental records on the round two arrangements<sup>60</sup> indicate that the assessment of such projects as 'eligible' in round one was a deliberate decision and not an oversight. For example:

- The department's internal Programme Plan for round two stated:  
Project outputs of the BRP may include:
  - new bridges;
  - replacement of failing existing road bridge infrastructure; or
  - upgrades to existing bridge infrastructure ...
- Advice to a potential applicant for round two funding was:  
Council: 'Would a completely new bridge—where no bridge previously existed—be eligible—if such a bridge met all other criteria?'  
DIRD: '... a new bridge is eligible with restraints around approach roadworks.'

5.40 The ANAO found no indication in the departmental records that DIRD had informed its Minister that the construction of new bridges would be treated as an eligible activity or that the department had sought his agreement to such an approach. If it had been clear to all eligible entities that new bridges were eligible for funding, it would be reasonable to have expected the department would have received more than seven proposals to construct a new bridge.

5.41 In November 2015, the ANAO asked DIRD to outline the basis on which it determined that the construction of a new bridge (as distinct from a replacement bridge) was an eligible project and desired output of the Bridges Renewal Programme. DIRD advised that 'New bridges were within the programme objectives' and that 'The Minister made decisions on projects based on appropriate information—including references in the tables and assessment sheets to the nature of the projects, including that they were new or were replacing causeways'. On this latter point, the ANAO notes that the project descriptions provided to the Minister were at times ambiguous given the term 'new bridge' was used by the department in reference to both the construction of new bridges and the construction of replacement bridges.

## **Achieving the programme objectives**

5.42 Successful delivery of the programme outputs of renewed, replaced and upgraded bridges was to achieve the programme's two-fold objective of increased productivity and improved community access. The relationship between these outputs and objectives was articulated in the relevant 2013 Coalition election policy as follows:

Across this country some 30,000 local bridges are approaching the end of their lifespan. These bridges are vital in connecting towns and communities and doing so safely.

---

60 Note that, as in round one, the Proposal Form issued for round two did not indicate that the construction of a new bridge would be an eligible project type. See further at paragraphs 2.19 to 2.21 of this audit report.



Many are anything but safe. Some do not permit the school bus to cross or allow people to travel to town by the closest route.

But these bridges are also vital arteries in keeping our economy moving.

Many are simply impassable for standard trucks, let alone the B-Double and B-Triple trailers that bring produce from the regions to our cities and ports efficiently.<sup>61</sup>

5.43 The population of proposals assessed as demonstrating the greatest merit against the criteria, and so approved for funding, was dominated by those predominately seeking to increase productivity. These accounted for 60 per cent of the proposals, and 81 per cent of the funding, approved under round one. They were also four-times more likely to be selected for approval than proposals predominately focussed on improving community access, as outlined in Table 5.3. This brings into question the extent to which the population of projects selected in round one maximised the achievement of both objectives within the available funding.

**Table 5.3: Results of round one selection process by project focus**

Project focus	Eligible proposals		Approved proposals		Success rate
Increase productivity	92	36%	44	60%	48%
Improve community access	57	22%	7	10%	12%
Both productivity and community	106	42%	22	30%	21%
<b>Overall</b>	<b>255</b>	<b>100%</b>	<b>73</b>	<b>100%</b>	<b>29%</b>

Source: ANAO analysis of DIRD records, including the department's analysis of which programme objective/s the projects aimed to achieve.

5.44 The result is in part a reflection of the emphasis placed on traffic volume data generally, and heavy vehicle numbers specifically, during the merit assessment process.<sup>62</sup> The need to consider indicators beyond traffic volume when seeking to identify bridge works that will improve community access and economies is supported by the following extract from a May 2015 report on the condition of NSW timber bridges:

Recent Commonwealth and State programs have been essential to keeping higher traffic volume bridges open ... This has left many smaller bridges with lower traffic numbers and loading unfunded and moving into a high risk category requiring advanced, high cost and temporary remedial maintenance to avoid closure ... Even though smaller local bridges carry lower traffic volumes, there are often limited opportunities for alternative access because of steep terrain and high rainfall and the closure of a minor bridge for safety reasons creates serious social and economic equity issues that require a whole of government response.<sup>63</sup>

61 *The Coalition's Policy to Deliver the Infrastructure for the 21<sup>st</sup> Century*, September 2013, p. 5.

62 An example of the emphasis placed on vehicle numbers during proposal assessment is outlined at paragraph 2.43.

63 Prepared by Jeff Roorda and Associates for the Roads & Transport Directorate, *Road Asset Benchmarking Project 2014 — Timber Bridge Management Report*, IPWEA NSW Division, New South Wales, May 2015, p. i.

## Recommendation No.2

5.45 For optimum outcomes, the ANAO recommends that the Department of Infrastructure and Regional Development link programme criteria and their application more clearly to the specific objectives of, and underlying policy rationale for, each funding programme.

**Entity response:** *Agreed with qualification.*

5.46 *The key objectives of the Bridges Renewal Programme are to contribute to the productivity and community access of bridges serving local communities, and facilitating increased productivity by enhancing access to allow for greater efficiency. The Department assessed proposals based upon programme criteria intended to capture quantifiable information. These criteria allowed assessment of the information provided by proponents in order to provide an equitable and impartial comparison of a broad range of different bridges. If proponents did not provide sufficient information against the criteria they were likely to have been rated at a lower score during the assessment process. Unsuccessful proponents from Round 1 were offered feedback on their proposals and the early signs for Round Two are that many councils have benefited from this feedback.*

## Was round one designed and implemented in a timely manner, consistent with the focus on construction commencing in 2014–15?

The design and implementation of the Bridges Renewal Programme took too long (14 months). By the time the results of round one were announced in February 2015, little time remained in 2014–15 for funding arrangements to be negotiated and construction to commence. Ultimately 14 (19 per cent) of the 73 projects selected commenced construction in 2014–15; five of which were subsequently assessed as ineligible for starting before the decisions had been announced.

5.47 The first funding round of the Bridges Renewal Programme was to focus on those projects ready to commence construction in 2014–15. Within a media release launching round one, the Minister explained:

Round One will focus on projects that are sufficiently advanced that construction can begin in the 2014–15 financial year, so we can get moving on improving access to local communities and increasing productivity through bridges capable of carrying heavier vehicles.

Councils with proposals that are not yet construction ready, I encourage to consult with industry and their communities to develop a proposal for round two, which I expect to announce next year.<sup>64</sup>

5.48 The \$300 million for the Bridges Renewal Programme was reported in the Mid-Year Economic and Fiscal Outlook 2013–14 of December 2013 as a policy decision taken. This gave DIRD an 18 month timeframe in which to establish the programme, run a competitive selection

---

64 The Hon Warren Truss MP, *New Bridges Renewal and Heavy Vehicle Rounds Launched*, Media Release, 18 June 2014.

process, negotiate funding arrangements and to leave sufficient time remaining in 2014–15 for construction to commence.

5.49 It took approximately six months to design and establish the programme arrangements. The department sought the Minister's approval of draft versions of the Proposal Form, and underlying programme parameters and criteria, in March and May of 2014 but these versions were not approved. The Minister approved a re-worked version of the Proposal Form on 12 June 2014 and announced the funding round on 18 June 2014. The time afforded to applicants to prepare their proposals was appropriate, with round one opening for proposals on 1 July 2014 and closing on 28 August 2014. The assessment and selection process then took a further six months to complete, with the results being announced in late February 2015. The time taken to design the programme and complete the first funding round (14 months in total) had adverse implications for the undertaking of bridge works.

### **Impact of timing on bridge works**

5.50 Applicants could not commence construction until after the results of round one were announced if they were to remain eligible for funding.<sup>65</sup> A tension therefore existed at the programme level between the expectations that construction commence in 2014–15 and that construction be delayed until after February 2015. At the project level, some applicants needed to decide whether or not to delay scheduled bridge works in the hope that theirs would be one of the 27 per cent of proposals selected for funding.

5.51 Many of the proposals had indicated construction would commence late 2014 to early 2015. If the funding round had been completed more quickly, these applicants would not have been placed in the position of needing to decide whether to commence, and so forgo the funding opportunity, or to delay construction. Noting that it cannot be assumed that those applicants that did commence then delivered the full scope of works proposed. For example, some may have undertaken a lower-cost repair rather than replace the bridge.

5.52 Five of the 73 proposals that were approved (seven per cent) were then re-assessed as ineligible on the basis that construction had already commenced and the offers of funding were withdrawn (\$2.6 million). In one of these cases, the contractor took possession of the site on 7 February 2015 and the Council was advised on 13 February 2015—six days later—that its application was successful. As this Council then explained to DIRD, 'Given the delay in announcing the grant outcome, the uncertainty of the outcome, and the potential cost implications of continuing to delay commencement, a decision was made by the project manager to allow commencement of construction work ...'.

5.53 Another of the proposals that were reassessed as ineligible had stated that the bridge 'has reached the end of its safe and useful operational life and requires renewal in the 2014/15 financial year'. The dilemma this Council then faced was articulated by a State government representative in an email to the department:

As part of its normal activities the council undertook bridge inspections in October and November and found that the super-structure was exhibiting high levels of deflection and were

---

<sup>65</sup> Projects that had already commenced were ineligible for funding. A sound approach as the award of Commonwealth funding should add value by achieving something worthwhile that would not otherwise occur.

concerned that the beams were failing. As the bridge supports a heavy vehicle log truck access the council were aware of their duty of care as infrastructure managers and have commenced works on replacing the bridge. With the delay in announcements of funding for this program the council was in a precarious position where they did not know if their funding application was going to be successful some four months since it had been submitted and could not leave the bridge in its current state over the winter period. It is noted that the advice provided to local government is that funding must be confirmed before undertaking any activity on this project.

5.54 Given the delays with programme design and implementation, only 14 (19 per cent) of the 73 projects selected in round one commenced construction in 2014–15; five of which were subsequently assessed as ineligible on this basis. These 14 projects constitute only five per cent of the total funding approved under round one. This result was in part due to the timing of the announcements and the seasonal nature of bridge construction works. It was also partly due to the requirement that construction commence in 2014–15 having been poorly worded in the Proposal Form. As outlined in paragraphs 2.10 to 2.15, 19 per cent of submitted proposals contained indications that construction was planned to commence after 2014–15 and these were assessed as eligible in the interest of fairness to this cohort of applicants.

### Timeliness of funding negotiations

5.55 By mid-August 2015, six months after funding decisions were announced, signed Project Approval Instruments were in place for 58 projects (79 per cent of the 73 selected). These were for total funding of \$45.0 million (39 per cent of the \$114.8 million approved). That the majority of the funding had yet to be approved under the *National Land Transport Act 2014* was a reflection of the department focussing its efforts on the Council projects. Those still under negotiation were predominately large-value State projects, such as the \$35 million contribution to a Queensland Government project. The status of all 73 projects is summarised in Table 5.4.

**Table 5.4: Status of the 73 projects approved for \$114.8 million**

Status as at mid-August 2015	Under negotiation \$ million	Funding withdrawn \$ million	Approved under Act <sup>a</sup> \$ million
54 Instruments in place for the approved amount	—	—	42.7
4 Instruments in place for a reduced amount	—	0.2	2.4
6 reassessed as ineligible and offer withdrawn	—	3.2	—
1 withdrawn by the applicant	—	0.3	—
8 under negotiation	66.0	—	—
<b>Total</b>	<b>66.0</b>	<b>3.7</b>	<b>45.0</b>
As percentage of the \$114.8 million approved	58%	3%	39%

Note a: The 'Act' is the *National Land Transport Act 2014* and the 'Instruments' are the Project Approval Instruments approving the projects as Investment Projects under subsection 9 (1) of the Act. In this Table, the total approved under the Act does not equal the sub-totals due to rounding.

Source: ANAO analysis of DIRD records.

5.56 The timing overall was influenced by the department undertaking sound assurance processes prior to signing the relevant Project Approval Instruments. These included seeking confirmation that matching funding had been secured, checking whether the project was still eligible for funding and updating project scopes and costings where applicable.

5.57 As part of the May 2015 federal budget process, the \$60 million that had been appropriated for 2014–15 was spread across the forward years (2015–16 to 2018–19). No payments had been made under the Bridges Renewal Programme as at mid-August 2015 (when ANAO audit fieldwork was concluded).

5.58 On 21 October 2015, DIRD provided the ANAO with an update on the status of projects that were still at the negotiation stage. Three Project Approval Instruments were signed on 15 October 2015, eight months after funding decisions were announced, leaving five projects still under negotiation for a total of \$47.7 million.

---



Grant Hehir  
Auditor-General

Canberra ACT  
20 January 2016



## **Appendices**





## Appendix 1 Entity response



**Australian Government**

**Department of Infrastructure and Regional Development**

**Secretary**

*File Reference:  
Contact: Roland Pittar*

Ms Michelle Kelly  
Group Executive Director  
Performance Audit Services Group  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601

Dear Ms Kelly

**ANAO Audit of the Design and Implementation of the First Funding Round of the Bridges Renewal Programme**

I refer to your letter of 30 November 2015 seeking a response to the proposed audit report on the *Design and Implementation of the First Funding Round of the Bridges Renewal Programme* audit pursuant to sub section 19(1) of the *Auditor-General Act 1997*.

The Department's summary and full responses on the proposed report are provided at [Attachment A](#).

Please contact Mr Roland Pittar, A/g Executive Director, Infrastructure Investment Division on 6274 7631 if you would like to discuss this response.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Wilson'.

Andrew Wilson

24 December 2015

## Attachment A

### Summary

The Department welcomes the ANAO's positive comments on the Department's continued improvements to the application and assessment process, as well as the link between funding decisions and advice. In addition, the ANAO has noted that the Department has linked reporting and milestone payments to the release of Commonwealth funds.

Alternately, the ANAO has commented that the assessment criteria are not sufficiently aligned with programme objectives. The assessment criteria were intended to capture likely quantifiable 'outcome' information and allow clearer identification of the relative merit of applications, which in turn would inform an assessment of value for money. Applications with insufficient quantifiable information received low scores. The Department has undertaken a number of activities to improve the quality of applications.

The Department disputes the ANAO's assertion that construction of new bridges was 'at odds with the programme's intent', as new bridges were within the programme objectives.

### Department of Infrastructure and Regional Development Response

The Department of Infrastructure and Regional Development (the Department) notes the Australian National Audit Office's (ANAO) recommendations in its report *Design and Implementation of the First Funding Round of the Bridges Renewal Programme*.

The Department welcomes the ANAO's positive comments about practices adopted for the Bridges Renewal Programme, particularly around the conduct of competitive rounds with transparent and equitable opportunities for access to funding. The Department further notes the ANAO's positive comments on the linking of reporting and release of funding being tied to milestones.

The Department also notes that the ANAO finding that funding recommendations provided to the Deputy Prime Minister demonstrated compliance with Section 71 of the *Public Governance, Performance and Accountability Act 2013* and that there was a clear link between the Department's funding recommendations and the underlying assessment work, as well as the link between the Minister's funding decisions and the Department's advice.

While generally in agreement with the ANAO's comments relating to the Department's advice and administration, the Department takes this opportunity to highlight issues that require additional comment or clarification. The Department's comments against the ANAO recommendations are outlined below.

The ANAO has commented on the assessment criteria not being sufficiently aligned with the programme's objectives of productivity and community access. The programme's key objectives were clearly stated as contributing to the productivity and community access of bridges serving local communities, and facilitating increased productivity by enhancing access to allow for greater efficiency. The assessment criteria were intended to capture likely quantifiable 'outcome' information from a particular bridge being upgraded, such as the length of an alternative route being avoided or additional capacity of the bridge, as opposed to a bridge simply being upgraded. This approach allowed clearer identification of relative merit of applications.

Faced with a choice between upgrading a broad range of different bridges, without some quantifiable 'outcome' information, the Department would find it difficult to reach an informed assessment of projects' individual and relative merits, which in turn would inform an assessment of value for money.

A large number of applications from councils contained insufficient quantifiable information upon which more objective assessments against the criteria could be made. In the absence of this information, these applications received low scores.

As the ANAO report recognises, the Department put in place a number of measures to improve the quality of information contained in applications for Round Two, including providing feedback to unsuccessful candidates, providing further guidance as part of the National Stronger Regions Fund Roadshow in mid-2015, and providing more explicit data fields and guidance in the Proposal Form for Round Two of the Bridges Renewal Programme.

The Department disputes the ANAO's assertion that construction of new bridges was 'at odds with the programme's intent'. New bridges were included within the programme objectives and a number of the new bridge constructions approved involved projects replacing existing infrastructures, such as a causeway or damaged river crossing

The ANAO also states that design and implementation of the programme took too long while alternatively making positive comments about appropriate steps taken by the Department in policy design and risk management. In addition, in response to the ANAO comments that five projects did commence in the 2014-15 year without 'approval', it was well documented and clearly stated to all proponents that it was a requirement of the programme that no work was to have begun prior to notification of funding approval.

## **ANAO Recommendations and DIRD Responses**

*Recommendation No. 1 at paragraph 4.18: When a funding arrangement is dependent on State/Territory agencies undertaking functions on behalf of the Commonwealth, the ANAO recommends that the Department of Infrastructure and Regional Development negotiate and agree roles and responsibilities with each agency during the design stage.*

### **AGREED WITH QUALIFICATION**

The Bridges Renewal Programme is classed as a National Partnership payment, with payments made to and through the states and territories by the Department of the Treasury. Specific roles and responsibilities for each party are outlined in the Notes on Administration and read in conjunction with the *National Land Transport Act 2014*.

In seeking the states/territories input against criterion 3 (which is the State and Territory Priority/Ranking) for Round One of the programme the Department notes the ANAO's comments that more guidance was necessary. For Round Two of the programme, the Department has provided further guidance to the States/Territories under criterion 3.

*Recommendation No. 2 at paragraph 5.44: for optimum outcomes, the ANAO recommends that the Department of Infrastructure and Regional Development link programme criteria and their application more clearly to the specific objectives of, and underlying policy rationale for, each funding programme.*

### **AGREED WITH QUALIFICATION**

The key objectives of the Bridges Renewal Programme are to contribute to the productivity and community access of bridges serving local communities, and facilitating increased productivity by enhancing access to allow for greater efficiency. The Department assessed proposals based upon programme criteria intended to capture quantifiable information. These criteria allowed assessment of the information provided by proponents in order to provide an equitable and impartial comparison of a broad range of different bridges. If proponents did not provide sufficient information against the criteria they were likely to have been rated at a lower score during the assessment process. Unsuccessful proponents from Round 1 were offered feedback on their proposals and the early signs for Round Two are that many councils have benefited from this feedback.